



# ***Daily Report***

## **China**

FBIS-CHI-88-161  
Friday  
19 August 1988

# Daily Report China

FBIS-CHI-88-161

## CONTENTS

19 Aug 1988

### INTERNATIONAL AFFAIRS

#### General

Bank Issues Bonds for International Market .....	1
UN Technology Group Sets Up Fuzhou Center .....	1
UN Symposium on Illiteracy Opens in Harbin .....	1

#### United States & Canada

Roundup Views U.S. Inflation Problem .....	1
George Bush Accepts Republican Nomination .....	2
PRC Corporation To Buy Shares of U.S. Firm .....	3
New Plastics Joint Venture With U.S. ....	3
Joint Venture Opens in Beijing .....	3
U.S., Chinese Psychiatrists Conclude Meeting .....	4
U.S. To Destroy Pershing Missiles 8 Sep .....	4

#### Soviet Union

Tian Zengpei To Meet Soviet Counterpart [Hong Kong HSIN WAN PAO 19 Aug] .....	4
Obukhov Discusses Arms Treaty Prospects .....	5
Border Trade With Inner Mongolia Increases .....	5
Qiqihar Undertakes Construction in USSR .....	6
Soviet Seamen Return From Taiwan Imprisonment .....	6
USSR 'Combat Ready' To Win Olympic Medals .....	6

#### Northeast Asia

Journal Views ROK President No's Leadership [GUOJI WENTI YANJIU 13 Jul] .....	7
DPRK Coal Delegation Ends Heilongjiang Visit .....	10

#### Southeast Asia & Pacific

Situation in Burma 'Continuously Turbulent' [Hong Kong LIAOWANG OVERSEAS EDITION 15 Aug] .....	11
Commentary on Post-U Sein Lwin Era .....	12
Spratly Survey Team Returns to Guangzhou .....	13
Hanoi Rejects Kampuchean Peace Proposal .....	13

#### Near East & South Asia

Further Reportage on Pakistan's Ziaul Haq Death .....	13
'Dispatch' on Ziaul Haq Death [RENMIN RIBAO 19 Aug] .....	13
Li Xiannian Sends Condolences .....	14
Ziaul Haq Profiled [RENMIN RIBAO 18 Aug] .....	14
Acting President Profiled .....	15
New Pakistan Army Chief Profiled .....	15
Pakistani Minister on Emergency .....	15
More Details Given on Death .....	16
Pakistan Opposition Reaction .....	16
Indian President To Attend Funeral .....	17
Commentary on Afghanistan Military Situation [RENMIN RIBAO 18 Aug] .....	17
Wu Xueqian, Indians Discuss Border, Ties .....	18

Qi Huaiyuan Discusses Gulf Peace With Iran .....	18
Curfew Imposed in Kashmir After Demonstrations .....	19

#### Sub-Saharan Africa

Analysis Views Zambian Party Meeting .....	19
--	----

### NATIONAL AFFAIRS

GUANGMING RIBAO on Political Stability [1 Aug] .....	21
Article on Reform of Personnel System [DANG JIAN 5 Apr] .....	22
XINHUA Criticizes Institutional Spending .....	30
Central Bank To Tighten Monetary Policy .....	32
To Curtail Consumption Funds .....	32
Deng, Zhao, Other Leaders Meet Educators .....	33
Councillor Li Tieying on Disease Prevention .....	33
Better Mechanization, Armor Needed for PLA .....	33
Conference Calls Tax Evasion 'Huge' Problem .....	34
Tax Law Enforcement Urged .....	34
Strengthening Enterprise Management Stressed [RENMIN RIBAO 15 Aug] .....	34
More Unprofitable Enterprises Face Elimination .....	36
Linking of Wages, Commodity Prices Viewed [JINGJI GUANLI No 6] .....	36
Paper Warns of Poor Consumption-Production Ratio .....	42
Official Discusses Developing Coastal Areas .....	42
Official on Floods Disrupting Railways .....	43
Drought Threatens Crops; Water Shortages .....	43
Research Institutes To Have New Financing .....	43
Rare Earth Fertilizers Hold Potential .....	43
Crime Control Centers Popular With Public .....	44
Correction to Control of Financial Institutes .....	44

### REGIONAL AFFAIRS

#### East Region

Fujian Registers Rise in Foreign Exchange .....	45
Fujian Launches 4 More Spark Plan Projects .....	45
Xiamen-Foreign Joint Ventures Profitable .....	45
Shandong Official Meets Hong Kong Entrepreneur .....	45
Shanghai Company Begins Securities Transactions .....	46

#### Central-South Region

Guangdong Bans Black Market Forex Dealings .....	46
Guangdong Outlines Financial Measures, Markets .....	46
Guangxi Cadre Executed for Taking Bribes .....	46

#### Southwest Region

Sichuan Meeting Sets Agricultural Tasks .....	47
---	----

#### North Region

Hebei Holds Chemical Industry Symposium [HEBEI RIBAO 3 Aug] .....	48
Inner Mongolia Chairman on Labor, Wage Reforms .....	49

#### Northeast Region

Former Heilongjiang CPC Leader Dies .....	49
Jilin People's Congress Makes Appointments [JILIN RIBAO 22 Jul] .....	50
Jilin's He Meets Delegates to Woman's Congress .....	50

**Northwest Region**

Gansu Governor Stresses Propaganda Work .....	50
Shaanxi Governor on Readjusting Rural Production .....	50
Xinjiang Trades With USSR, Arabs, Europe .....	51

**PRC MEDIA ON TAIWAN AFFAIRS**

Government Modifies Cultural Exchange Policy .....	52
Beijing Sets Up Taiwan Studies Society .....	52

**TAIWAN**

Executive Yuan Forms Mainland Task Force .....	53
Government Urged To Study Mainland Policy .....	53
U.S. Talks Not To Touch on Currency Issue .....	54
Radio Commentary on U.S. Presidential Race .....	54
President Li Meets With U.S. Senators .....	55

**HONG KONG & MACAO**

**Hong Kong**

UN To Take Over Refugee Management <i>[SOUTH CHINA MORNING POST 19 Aug]</i> .....	56
June Trade Surplus With U.S. Up 21.5 Percent <i>[XINHUA]</i> .....	57
No Decision Made Concerning Importing Labor <i>[XINHUA]</i> .....	57

## General

### Bank Issues Bonds for International Market

HK1808121388 Beijing CEI Database in English  
18 Aug 88

[Text] Shanghai (CEI)—China's Communications Bank issued 100 million U.S. dollars worth of five-year bonds in Singapore on August 17.

This is the first time for the bank to issue bonds abroad, a high-level government official announced, adding the bonds, which have an interest rate of 9.375 percent, were bought by 23 banks and securities companies from Asia, Europe and the United States.

The bank, which is based in Shanghai, has decided funds collected from the bond sales will be used for Shanghai's municipal construction and technological renovations, the official said.

Since starting up business again two years ago, the bank has established links with 158 banks overseas and handles accounts for 38 banks.

### UN Technology Group Sets Up Fuzhou Center

HK1808115188 Beijing CEI Database in English  
18 Aug 88

[Text] Fuzhou (CEI)—The United Nations Technology and Information Promotion System (TIPS) has set up its Fujian center in Fuzhou City and started to provide information recently.

As an international cooperation project organized by the United Nations development programme, TIPS established its China's national center in Beijing before. The establishment of TIPS Fujian center offered a new way for Fujian Province to obtain the international economic and technology information.

By the end of July, the center had got 380 pieces of information from the Rome-based tips headquarters. The information, which came from 33 countries and regions, classified into eight categories including demands for and supplies of goods, technology, bidding, consultancy, research and development and news stories.

### UN Symposium on Illiteracy Opens in Harbin

OW1808114988 Beijing XINHUA Domestic Service  
in Chinese 1512 GMT 17 Aug 88

[By reporter Zhang Chijian]

[Text] Harbin, 17 Aug (XINHUA)—This reporter has learned the following from the "UNESCO Symposium on the Compilation of Teaching Materials for the Elimination of Illiteracy in the Asia-Pacific Region," which opened in Harbin today: In the world today, 884 million people of age 15 or above are illiterate, while China has 220 million illiterates. It has been pointed out that

illiteracy has become one of the biggest social problems in the world and that the elimination of illiteracy in China remains a very arduous task.

Since the founding of the PRC, our country has reportedly enabled 150 million people to become literate. As a result, the illiteracy rate in our country has dropped from more than 80 percent in the early period after the founding of the PRC to 26 percent at present. Owing to its large population, however, the absolute number of illiterates in our country is still excessively large, seriously affecting our economic and social development.

According to a briefing given by Yang Haibo, chairman of the PRC National Committee for UNESCO who also attended the symposium, to do a better job in wiping out illiteracy, the Chinese State Council promulgated "Regulations on the Elimination of Illiteracy" earlier this year in order to bring this work into the orbit of the law. He added: Keeping in mind the new situation in the development of a commodity economy, local authorities in various parts of China are summing up experiences and lessons in wiping out illiteracy. A national conference on the elimination of illiteracy will be held at the end of the year to commend advanced units and individuals and discuss the training of personnel for this work and the improvement of teaching materials and methods for the elimination of illiteracy.

(Sa-ke-ya), UNESCO Asia-Pacific regional representative, and representatives from Bangladesh, India, Nepal, and 12 other countries who attended the symposium, positively appraised China's work in wiping out illiteracy and presented their views on problems concerning our teaching materials for this purpose.

## United States & Canada

### Roundup Views U.S. Inflation Problem

OW1808191788 Beijing XINHUA in English  
0801 GMT 18 Aug 88

["Roundup: Inflation Monkey Higher on Uncle Sam's Back (by Xue Limin)"]—XINHUA headline]

[Text] New York, August 17 (XINHUA)—Economic figures released last week dramatically proved that inflationary pressures have risen to a point intolerable to the government during an election year.

The Federal Reserve Bank reported this morning that the July operating rate for U.S. factories, mines and utilities, surged to an eight-year high of 83.5 percent, from 83.1 percent in June and 82.9 percent in May.

At 2.4 percentage points above the level of a year ago, the July rate is further evidence that inflationary pressures in the economy are building up, analysts said.

The Commerce Department yesterday announced a 12.5 billion dollar U.S. trade deficit for June, with imports rising 5.7 percent to 39.35 billion dollars. Some economists said the rise resulted from strong domestic demands born from an overheated economy.

The producers' price index showed a 5.7 percent annual rate of increase in July, suggesting a new notch upward for inflation, covering a 5 percent annual rate. Meanwhile, employment increased strongly, and hourly earnings rose at a 6 percent annual pace in July.

All the signals added to the belief of many district Fed presidents that the economy could not continue to grow so rapidly without sparking a higher rate of inflation.

In order to take the inflation monkey off Uncle Sam's back, the Federal Reserve chose to put the battle against inflation ahead of its dollar-stabilizing policy.

The Central Bank took a surprise step last week to raise its discount rate (the interest charged on loans to financial institutions), by half a percentage point to 6.5 percent. Moreover, Fed officials made it clear that they plan to push up other short-term interest rates as well.

The key federal funds rate, for example, has been increased to about 8.5 percent, from about 7.8 percent in recent weeks. Also, last Thursday, major U.S. banks raised the prime lending rate from 9.5 to 10 percent, the highest it's been in three years.

The Fed's tightening measures triggered severe volatility in the stock market. After the rise in the discount rate, the Dow Jones industrial average skidded over 100 points before recovering a bit today and yesterday.

As higher interest rates push up the cost of loans for businesses and, therefore, reduce their profit margins, investors tend to pull out of the stock market and move their funds into fixed-income investment accounts.

By fighting mounting pressures of inflation, the Fed actually suspended its commitment to a G-7 agreement on a stable dollar. With higher interest rates than in other industrial countries, the dollar will become more attractive to foreign investors, and rise to a higher rate.

The lower and more stable dollar resulting from the G-7 effort, has helped produce the desired boom in U.S. exports. But a higher rate against other major currencies could break the U.S. edge in exports, and slow down the pace of trade deficit reduction, analysts said. Yet, they are not sure how much damage a further surge would do to the U.S. trade balance.

**George Bush Accepts Republican Nomination**  
*OW1908081688 Beijing XINHUA in English*  
0722 GMT 19 AUG 88

[Text] New Orleans, August 18 (XINHUA)—U.S. Vice President George Bush tonight accepted the Republican presidential nomination by pledging to "run hard, to fight hard, to stand on the issues," and "to win."

In his first appearance at the Republican National Convention since it opened August 15, Bush told the cheering convention crowd that he is seeking the presidency for a single purpose—"to build a better America."

Bush was nominated by the Republican Party last night to fight for the White House with Democratic presidential nominee, Michael Dukakis.

Bush said that for seven and a half years, he has given both candor and loyalty to President Ronald Reagan, and that tonight is the night for him to begin his real campaign.

He talked about the achievements of the Reagan administration—a record high percentage of Americans with jobs, a record high rate of new businesses, a record high rate of real personal income.

He also spoke of the new relationship between the United States and the Soviet Union, the INF Treaty, the beginning of the Soviet withdrawal from Afghanistan, the beginning of the end of the Soviet "proxy war in Angola," the independence of Namibia, and the moving toward peace between Iran and Iraq.

He said eight years ago the U.S. economy was flat on its back, and that Reagan gave it emergency medical treatment when he came to power.

And now, he added, the doctors "who made him sick" came to knock on the door. "They're lucky we don't hit them with a malpractice suit"—clearly referring to the Democrats.

Bush pledged not to raise taxes, while attacking his Democratic rival for not pledging the same thing.

He promised 30 million jobs in the next eight years for Americans, first-rate schools for children, a drug-free America, an inclusion of the disabled in the mainstream of American life, an end to ocean dumping, and the putting of incentives back into the domestic energy industry.

He said he will not allow the U.S. to be made weak again, because "weakness and ambivalence lead to war. Weakness tempts aggressors. Strength stops them."

In foreign affairs, he said he will continue the policy of "peace through strength."

He promised to move toward further cuts in the strategic and conventional arsenals of both the United States and the Soviet Union, to modernize and preserve the U.S. technological edge, and to ban chemical and biological weapons from the face of the earth.

Bush took the opportunity to show his leadership ability. For nearly eight years as vice president, he has been considered as weak in leadership. His rival Dukakis led him by 17 points after the Democratic National Convention of July 18-21, but today's WASHINGTON POST showed a Dukakis lead of 49 percent to 46 percent over Bush.

The 64-year-old vice president formally announced his running mate selection of Senator Dan Quayle, a selection he made two days ago. The 41-year-old senator from Indiana pledged to help Bush win the White House.

The giant Superdome convention hall, the largest indoor stadium in the world, became a celebration site after Bush's address, as the world's largest-ever balloon drop, approximately 150,000 of them, floated down from the ceiling.

The Republican National Convention came to an end tonight after the grand celebration.

#### **PRC Corporation To Buy Shares of U.S. Firm**

OW1808213188 Beijing XINHUA in English  
1400 GMT 18 Aug 88

[Text] Beijing, August 18 (XINHUA)—China plans to buy 50 percent shares of the Pacific Refinery of the United States on the west coast later this year, a Chinese trade official said here today.

Chen Haoran, executive vice-president of China National Chemicals Import and Export Corporation (Sinochem), told XINHUA that early this month, Sinochem signed a memorandum of agreement on the project with the Coastal Corporation of the United States and a contract is being drafted by lawyers from the two countries.

The contract will cover a refinery with an annual capacity of 2.5 million tons at Hercules, California, he said.

It will also involve fuel oil terminals at Los Angeles and Coos Bay, Oregon, and marketing operations at San Francisco, San Pedro and Long Beach, California, and Portland, Oregon, he added.

He said China will send its own management officials, technicians, marketing staff and accountants to join in with their partners in decision-making, management and market development in the United States.

But, the vice-president declined to reveal the amount of money on the deal.

After the establishment of the joint venture, he said, China will not only export its petroleum to the United States, but also run oil refining business and take part in marketing services in the west coast, the largest oil consuming region in the world.

The agreement will also include plans to upgrade the Hercules refinery for expanded production of higher octane gasolines and other transportation fuels.

Analysts hold that this will possibly China's biggest investment in the United States so far. The move indicates that China's oil business is entering the world market of free trade.

#### **New Plastics Joint Venture With U.S.**

HK1808113788 Beijing CEI Database in English  
18 Aug 88

[Text] Changsha (CEI)—Fengrun Plastic Products Company Limited, established on August 13, is a Sino-American joint venture.

The joint venture partners are Hunan Xiangtan Plastic Factory No.4, Sinochem Development Co. Ltd., and Sinochem (U.S.A) Inc. with a registered capital of 4.9 million U.S. dollars.

The joint venture has a set of German-made automatic production line for plastic square-bottom valve bags. Its square-bottom valve compound plastic woven bags, general compound plastic woven bags and other plastic products are available both for domestic and foreign customers.

#### **Joint Venture Opens in Beijing**

OW1808232588 Beijing XINHUA in English  
1439 GMT 18 Aug 88

[Text] Beijing, August 18 (XINHUA)—The Wide World International Advertising and Exposition Co., Ltd (Wide World), a joint venture between China Huayang Technology and Trade Corp., and American citizens Sidney Rittenburg and Mrs. Rittenburg, started business here today.

Rittenburg, who had stayed in China for 34 years, will be the company's honorary president.

Ding Chimin, president of Wide World, said that his company's business lines include surveys, planning, design, production, and assessment of advertising for clients. It will also organize or sponsor product exposition in China and abroad.

**U.S., Chinese Psychiatrists Conclude Meeting**

OW1908035388 Beijing XINHUA in English  
1146 GMT 18 Aug 88

[Text] Beijing, August 18 (XINHUA)—China's new achievements in the use of medicines and surgery for curing mental diseases have brought more hope to the country's mental patients and their families.

According to a joint meeting of the American Psychiatric Association and the Chinese Medical Association that closed here today, research into the pharmacokinetics of lithium carbonate, a drug for treating mental diseases, has developed a therapeutic formula for mental patients.

Specialists from the Shanghai Mental Health Center carried out investigations into the use of this drug under various conditions.

The center has achieved some success with surgery in treating psychotic patients, and Dr. Fang Jiasheng of the First Affiliated Hospital of Hunan Medical University has succeeded in helping Parkinson's Disease sufferers.

However, the long-term effects of the treatment he used—adrenal medulla transplant—still need to be studied, Fang said.

**U.S. To Destroy Pershing Missiles 8 Sep**

OW1908090688 Beijing XINHUA in English  
2354 GMT 18 Aug 88

[Text] Washington, August 18 (XINHUA)—The United States will conduct its first elimination of medium-ranged nuclear missiles on September 8, the Defense Department announced today.

Spokesman of the Pentagon Dan Howard said that the "historic event" will take place at the Longhorn Army Ammunition Plant in Marshall, Texas.

Inspectors from the Soviet Union will be present at the site to watch "a static burning" of a rocket motor and crushing of the shell of a Pershing missile under the U.S.-Soviet treaty on eliminating intermediate-range nuclear forces (INF).

The INF Treaty, signed by U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev last December, requires that both two superpowers eliminate their nuclear missiles with ranges from 500 to 5,000 kilometers within three years since the treaty comes into effect. [sentence as received]

The Soviet Union began to destroy its missiles covered by the treaty in early August.

**Soviet Union**

**Tian Zengpei To Meet Soviet Counterpart**

HK1908124888 Hong Kong HSIN WAN PAO  
in Chinese 19 Aug 88 p 1

["New Talk" Column: "Chinese and Soviet Vice Foreign Affairs Ministers Will Discuss the Situation in Cambodia for the First Time"]

[Text] A new development trend in Sino-Soviet relations is that both sides have announced that vice foreign affairs ministers from the two countries will start their working meeting on the Cambodian issue in Beijing next Saturday.

Sino-Soviet vice foreign affairs ministers have for the last few years been holding negotiations on two issues, one being the normalization of their relations and the other being the border problem. Their meeting on the Cambodian issue is a new development trend and reflects a change in the international situation.

As Beijing pointed out there are three obstacles to the normalization of Sino-Soviet relations, and the Cambodian issue is the third and the most important one. This issue has now been put on the agenda as a special topic for discussion. This has drawn much attention.

Chinese Foreign Affairs Ministry Spokesman Jin Guihua announced at a news briefing yesterday that newly appointed Chinese Vice Foreign Affairs Minister Tian Zengpei will participate in the meeting. Tian Zengpei is in charge of Soviet affairs in the Chinese Foreign Affairs Ministry. In mid-June he went to the Soviet Union as a Chinese special envoy to attend negotiations on the normalization of Sino-Soviet relations.

On the part of the Soviet Union, it is possible that Deputy Foreign Affairs Minister Rogachev will come to Beijing for the meeting. He is also Soviet special envoy and chief representative in Sino-Soviet negotiations on the other two issues.

Jin Guihua said that China wishes the meeting success, to pave the way for the further development of Sino-Soviet relations.

While meeting Shinji Sakai, president of the Japanese KYODO NEWS SERVICE, on the day after Jin Guihua made the announcement, CPC General Secretary Zhao Ziyang talked about Sino-Soviet relations and the Cambodian issue and once again referred to a high-level Sino-Soviet meeting.

Deng Xiaoping and Gorbachev also mentioned convening a high-level Sino-Soviet meeting. In a speech during a visit to Vladivostok in August 2 years ago, Gorbachev announced a new Soviet policy toward Asia, including withdrawing troops from Afghanistan. Deng Xiaoping subsequently responded to this by saying that he would

be willing to hold a meeting with Gorbachev if the Soviet Union removed the three obstacles to the normalization of Sino-Soviet relations, adding that the Soviet Union should take prompt action because he was already at an advanced age.

Zhao Ziyang only referred to holding a "high-level meeting." He possibly wanted to leave some flexibility to the representatives at the meeting. But he added that one necessary condition for holding the meeting was a Soviet effort to urge Vietnam to withdraw its troops from Cambodia. "As to whether a Sino-Soviet high-level meeting can be held and when it can start, this depends on whether the conditions are ripe. When the conditions are ripe, I believe Sino-Soviet high-level leaders will finally meet."

On the question of Cambodia after a complete Vietnamese troop withdrawal he explicitly pointed out that a democratic coalition government headed by Prince Sihanouk should be established. China has always objected to the practice of one side holding power while excluding others. The Khmer Rouge will not be allowed to come onto the stage alone, nor will the Vietnam-assisted Heng Samrin regime be permitted to continue its rule.

A report published by the KYODO NEWS SERVICE revealed a question and answer that had not been disclosed by XINHUA. Shinji Sakai asked whether China would provide asylum for Pol Pot of the Khmer Rouge. Zhao Ziyang answered: For years China has consistently maintained that the Cambodian issue should be resolved through consultations between various groups in Cambodia and between these groups and the ASEAN. China will accept the agreement reached by these various groups and the relevant countries.

**Obukhov Discusses Arms Treaty Prospects**  
*OW1908115688 Beijing XINHUA in English*  
*GMT 19 Aug 88*

[Text] Geneva, August 18 (XINHUA)—A Soviet arms control negotiator said on Tuesday that a treaty on 50-percent cut in strategic offensive arms would be impossible without reaching agreement on compliance with the 1972 Anti-Ballistic Missile (ABM) Treaty.

Aleksey A. Obukhov, head of the Soviet arms control delegation, also said that if the issue of limitations on long-range sea-launched cruise missiles was not resolved, the proposed treaty would be incomplete.

He was speaking at a lunch meeting with the press on the progress of the ongoing U.S.-Soviet negotiations.

The current tenth round of the U.S.-Soviet negotiations on nuclear and space arms opened on July 12 and both sides have put forward many new proposals.

Obukhov said the Soviet delegation had tabled seven major proposals which provided for a wide range of measures, from verification of production of long-range sea-launched cruise missiles to the right to inspect any naval ship for missiles.

"We are still waiting for the positive reaction by the American side on the major of these proposals," he said. [sentence as received]

When asked to comment on the U.S. assertion that it is technically very difficult to verify the sea-launched cruise missiles, Obukhov said that the issue of verification was not easy but was solvable.

"If you refuse to solve the verification problem, it means that you refuse to put limits on the armament race," he said.

He declared that the verification measures proposed by the Soviet Union would produce a very effective regime on all strategic offensive weapons. He also said that if both sides work "energetically and purposefully", it is possible that the proposed treaty could be reached by the time the U.S. President Ronald Reagan leaves office.

**Border Trade With Inner Mongolia Increases**  
*SK1808235488 Hohhot Inner Mongolia Regional Service*  
*in Mandarin 1030 GMT 17 Aug 88*

[Text] Our region has greatly developed border trade with the Soviet Union and the MPR. Over the past 5 years and more, total imports and exports have exceeded 200 million Swiss francs, a 9-fold increase.

Our region's border trade with the Soviet Union and Mongolia was very vigorous in the 1950's. Our region restored its border trade with the Soviet Union in 1983. Based on the principles of independent efforts to seek commodity supply, independent discussions, and sole responsibility for profits and losses, it has developed trade relations with the Soviet Union in an active and steady manner, and the volume of imports and exports has increased continuously. Border trade with the Soviet Union has developed even more rapidly this year. In the first half of this year, import and export contracts with the transactions totaling 120 million Swiss francs were signed.

Our region restored its border trade with Mongolia in 1985, and the trade volume has also risen continuously over the past 3 years and more, registering a more than 5-fold increase.

At present while giving play to the role of our region's international trading corporation as the major channel, the autonomous region has delegated the power for barter trade with the Soviet Union, Mongolia, and East European countries to the various specialized foreign trade corporations and corporations combining industrial production with trade. Meanwhile, the Ministry of

Foreign Economic Relations and Trade has authorized Hulun Buir league to conduct border trade with the Soviet Union, and Manzhouli and Erenhot Cities and Ergun Right Banner to conduct small-volume trade with border cities and towns.

**Qiqihar Undertakes Construction in USSR**

SK1908080388 Harbin Heilongjiang Provincial Service  
in Mandarin 2100 GMT 18 Aug 88

[Text] Construction officially started on 14 August on the three projects in (Hobaykal) [hou bei jia er] of the Soviet Union that were undertaken under contract by the Qiqihar First Engineering Section. (Wei Dezhu), deputy director of the Qiqihar First Engineering Section, and (Zikov), chief engineer of the (Houbaikal) Construction and Installation Trust, cut the ribbon to initiate the construction.

**Soviet Seamen Return From Taiwan Imprisonment**

OW1908014288 Beijing XINHUA in English  
0056 GMT 19 Aug 88

[Text] Moscow, August 18 (XINHUA)—Three Soviet sailors returned here today after being imprisoned for 34 years in Taiwan, the official TASS News Agency reported.

TASS said Vladimir Sablin, Boris Pisanov and Vladimir Kniga were among a crew of 37 on an oil tanker which was seized in international waters off Taiwan by island authorities on July 23, 1954.

While the Soviet tanker was on its way from Constanta, Romania, to the shores of the People's Republic of China with a cargo of lighting kerosene, two naval ships of Taiwan approached it and took it to a port, TASS said.

It said a year later 29 were freed and in 1956 five others were released. The remaining three sailors were kept in Taiwan despite efforts by the Soviet Government and the International Red Cross to free them, TASS claimed.

**USSR 'Combat Ready' To Win Olympic Medals**

OW1808063188 Beijing XINHUA in English  
0117 GMT 18 Aug 88

[“XINHUA Olympic Preview (1): Soviet Union Set To Win Medal War in Seoul; by sports writer Yang Ming”—XINHUA Headline]

[Text] Beijing, August 18 (XINHUA)—With a galaxy of top world stars and a burning thirst for Olympic honours, the Soviet athletes are combat-ready to win the medal war at the coming Olympics, planning to take one quarter of the gold medals at stake.

“Our sports men and women began preparing themselves for the Seoul Olympics three and a half years ago,” Anatoliy Kolesov, vice chairman of the Soviet State Committee for Physical Culture and Sports said.

“They will work hard for more than 50 gold medals,” said the Soviet sports leader in an exclusive interview with XINHUA in Moscow.

If the Soviet ambition comes true, the undisputed No 1 sports country in the world will repeat its shinning triumph as the overall and gold medal leader at the Winter Olympics early this year.

After three boycott-hit Olympics in the past 12 years, many observers find it difficult to predict who will be the winner of the first head-on clash between East and West at the Summer Olympics this year.

It is certain, however, that the East, putting together the Soviet Union, the Democratic Republic of Germany and other East European countries, will outshine the West in terms of gold medals and total, the observers say.

The best chance for the United States, which won 83 gold medals for the No 1 position in the Los Angeles games four years ago in their absence, is to duel with Democratic Germany for the second place.

Kolesov said that the Soviet Union has decided to send a 650-strong delegation, the second largest after the United States to the games, and all participants were called together at a ceremony in May, pledging to repeat the feat their compatriots performed at the winter games.

The Soviet strength lies mainly in such medal events as athletics, gymnastics, wrestling, weightlifting, boxing, cycling, fencing and swimming, he said.

In track and field alone, the Soviet athletes wished to gain between 10 and 11 gold medals, according to the head coach of the Soviet athletics team.

“We have made some progress in track and field in recent years,” he said. Among the star-studded team are eye-dazzling names Sergey Bubka, a legendary figure who has twice improved his world record first with a jump of 6.05 meters in June and then with a jump of 6.06 meters in July in the men's pole vault this year, world unbeatable champions Yury Sedykh and Sergey Litvinov in the men's hammer throw, world women's shot put champion Natalia Lisovskaya who just bettered her own record two months ago, world double champion Tatyana Samolenko in the women's 1,500m and 3,000m, and new world women's long jump record setter Galina Chistyakova who leaped 7.53 meters in June.

Besides those superstars, world-famous high jumpers Igor Paklin and Gennadiy Avdeyenko, are ready to challenge the world champion Patrik Sjobery of Sweden for the crown. Robert Emijan, who set the world second best long jump mark of 8.86 meters last year, is eager to show the world that he is able to beat Carl Lewis of the United States for the eye-catching gold.

Olga Bryzgina, world champion in the women's 400m, and Andrey Perlov who ranked first in the men's 50km walk with a time of 3:40.07 last year, are also gold medal hopefuls.

Analysts say that the Soviet strongmen are equally awesome and capable to capture around 20 gold medals at the games.

The Soviet wrestlers have strength to sweep half of the 20 top honors. Their boxers, taking the advantage of Cuba's absence, will face no rivals in the rings in five or six events. In weightlifting, one of the Soviet traditional sport, at least four or five gold medals will hang around the Soviet necks.

Their talented men's gymnasts, Dmitriy Bilozerchev, Valeriy Lyukin and Vladimir Artemov, the top three individuals in the world, will meet strong challenge from Li Ning and Xu Zhiqiang of China and Silvia Kroll of the GDR for gold medals, but are sure to take a lion's share in the men's events. Their women gymnasts are able to add three more golds for their country.

In canoeing and swimming, the Soviet Union is looking forward to eight gold medals. Igor Polyanskiy, men's world 200m backstroke record holder, and Vladimir Salnikov, men's world 800m and 1,500m freestyle record holder, are likely swimmers to shine again during the games.

The Soviet Union is also strong enough to haul top prizes in cycling, fencing, shooting, archery, rhythmic gymnastics, handball, water polo and basketball.

Kolesov said that the Soviet women's basketball team is also prepared for the gold medal but the men's team will have close battles with the United States and Yugoslavia. The two handball teams are also aiming at the gold medals.

### Northeast Asia

#### Journal Views ROK President No's Leadership

HK1808115088 Beijing GUOJI WENTI YANJIU  
No 3, 13 Jul 88 pp 43-46

[Article by Tao Bingwei [7118 3521 5588] and Yu Shaohua [5713 1421 5478]: "South Korea Since No Tae-u Assumed Power"]

[Text][Abstract] Since No Tae-u assumed power he has distanced himself from Chon Tu-hwan, and has worked on creating a new image for himself. The society and politics of South Korea have entered a new period. The focus is on whether or not the pace of democratization can be accelerated. However, the situation regarding the presidential election and elections for the National Assembly clearly indicates that the public is strongly dissatisfied with No Tae-u and the Democratic Justice Party (DJP). The failure of opposition parties to unite as

a force has resulted in the No Tae-u regime gaining power. The continual struggle for political power among the various factions, and the results of such struggle, will directly affect development of the South Korean political situation. The No Tae-u regime faces various tests. Whether or not No Tae-u can thoroughly fulfill his promise and comply with the aspirations of the people is the key to these tests. [end abstract]

No Tae-u won the general election on 16 December last year, and took the oath of office as 13th president of South Korea on 25 February this year. No Tae-u replaced Chon Tu-hwan and became the head of the Blue House at the time when there were great changes in South Korea's political situation, and at the critical moment when South Korea had to choose whether it would continue with a military dictatorship or gradually implement democratic rule. World opinion holds different views on the implications of No Tae-u's assuming office. This article will present our viewpoints on the following aspects.

#### I. It Has Begun To Enter a New Period [subhead]

When Chon Tu-hwan designated No Tae-u as his successor, his intention was to maintain a Chon Tu-hwan regime without himself. In other words Chon Tu-hwan's aim of bringing No Tae-u to power was to try to maintain military dictatorial rule. Before No Tae-u accepted the nomination and became the Chon Tu-hwan-headed DJP presidential candidate, he was not just a reliable and close friend of Chon Tu-hwan and a person who had directly taken part in suppressing the South Korean people. He also had the same viewpoint as Chon Tu-hwan on prolonging military dictatorial rule in South Korea. However, when No Tae-u started his election campaign he immediately felt that the South Korean people's struggle in resisting dictatorship and demanding democracy had tremendous force, and if the regime resolutely continued to implement dictatorial rule it would suffer the consequences of its actions. Therefore, the "Eight Suggestions of 29 June," which were formulated by Chon Tu-hwan, were put forward in the name of No Tae-u. These suggestions indicated agreement that: The Constitution would be amended, the president would be directly elected by the voters, arrested masses would be released, freedom of the press and activities by political parties would be allowed, and so on. From that time No Tae-u has in fact distanced himself from Chon Tu-hwan. When the election campaign entered its high tide, it became more obvious that No Tae-u deliberately showed that he was different from Chon Tu-hwan. At the same time while No Tae-u himself held office as DJP president, he reshuffled the cabinet, freed some political prisoners, and even investigated and affixed responsibility for the police officers who had beaten young students to death. Shortly before presidential election polling day, No Tae-u went about selling his ideas everywhere, and making many promises. Among the promises he made, the most important one to accelerate the pace of democratization. All these were to cultivate popularity and to

try to win the general election and the presidency. However, the breakdown of the general elections showed the main candidates received the following vote percentages: No Tae-u, 35.9 percent; Kim Yong-sam, 27.5 percent; Kim Tae-chung, 26.5 percent; and Kim Jong-pil, 7.9 percent. The number of votes No Tae-u obtained is far less than half of the total. This clearly indicated that although No Tae-u had made strides in improving his image and cultivating popularity, he was still opposed by most of the electorate.

The lessons learned from the presidential election made No Tae-u realize that it was not effective to casually distance himself from Chon Tu-hwan, and he must make a fresh start; otherwise he could not find a way out. Therefore, No Tae-u intended to use the assumption of the presidency as the turning point to establish a brand new image. In his inaugural speech he said: On the political aspect, the government will establish a timetable during which democracy will be adopted, political prisoners will be granted pardons, and dialogues will be held, and ideological communication with young students will be conducted. On the economic aspect, the per capita GNP would reach \$5,000.00 within his term of office; South Korea would become a creditor country in 1992; and so on. In his practical actions No Tae-u has definitely done something which was never done under Chon Tu-hwan's regime. For instance some 2,000 "prisoners," among them some 100 "political prisoners," were released; some scholars were reinstated in the new cabinet; Yi Hyon-cha, former president of Seoul University, was appointed prime minister; and the number of dialogues with young students and opposition parties was also increased. In March this year the judicial organs of South Korea arrested and charged Chon Kyong-hwan, younger brother of Chon Tu-hwan, with special economic crimes. According to reports, when Chon Kyong-hwan held the office of chairman of the "New Village Movement" he, in collusion with several trusted fellows, accepted graft amounting to 6.54 billion South Korean won, and used this to buy real estate for himself. He was also suspected of power abuses, accepting bribes, transferring illicit money to foreign countries, and committing other crimes. In facing such a situation Chon Tu-hwan had no choice but to tell the masses of South Korea and everyone in the world that he held himself responsible for the criminal offenses of Chon Kyong-hwan. He resigned from office as speaker of the senior statesmen's consultative conference, and as honorary president of the DJP, which enabled him to be the backstage boss.

The above-mentioned situation illustrates that under the stress of the circumstances, No Tae-u and the South Korean authorities have to seriously handle the strong wishes of the masses in South Korea. Having been under dictatorial rule for some 40 years South Korea has finally entered a new period. From now on in this new period, the complications and frustrations and the struggle for the magnitude and pace of implementation of democratization will become a focus of the development and the change in the South Korean political situation.

## II. The Contest Still Continues [subhead]

That No Tae-u was elected president, apart from the fact that he drew support from the advantageous position of his ruling party and the power of the South Korean authorities, because he seized the opportunity when the opposition parties split among themselves. In the presidential election, if the United Democratic Party and the Peaceful Democratic Party, led by Kim Yong-sam and Kim Tae-chung respectively, could have supported a single candidate for the election, the percentage of votes this candidate would get would at least have exceeded 50 percent of the total number of votes, and the one who is heading the Blue House would not be No Tae-u. However, when the snipe and the clam grapple, the fisherman profits—the third party benefits from the tussle. The split between the two main opposition parties and their leaders resulted in No Tae-u's success in the presidential election by obtaining votes numbering far less than half of the total. On one hand, the people of South Korea protested the election of No Tae-u as president, who was opposed by most of the electorate, and reprimanded him and the DJP for malpractices in the election. On the other hand they were dissatisfied with Kim Yong-sam and Kim Tae-chung inability to unite and cooperate with each other. Kim Yong-sam and Kim Tae-chung offered apologies to the electorate after the election and resigned on their own initiative from their posts as leaders of their parties. However, they and the two parties followed the same disastrous road again in the National Assembly elections on 26 April. As a result, the DJP under the leadership of No Tae-u, became the first big party to obtain a majority of the seats. This proved once again that currently, when there is already a turn in the South Korean political situation, if the opposition parties could unite as one, regard the masses as powerful backing, and take joint action, they could grasp the initiative in South Korea's political and social life. Otherwise, both of them will suffer or will be in a passive position. It seems that this is perhaps an inevitable phenomenon in South Korea's course of development. The struggle by the South Korean masses in resisting dictatorship and demanding democracy has never been conducted under united leadership and the influence of a political party or an organization, and it is therefore difficult for a single authoritative political leader to emerge. It will take time for democratic forces to really unite and cooperate among themselves, and to grasp the initiative in social and political life.

Although the split among the opposition parties has resulted in setbacks in the National Assembly elections, this was after all another contest with the ruling party. The distribution of the 299 National Assembly seats among the various parties is: DJP, 125 seats; Peaceful Democratic Party, 70 seats; Reunification Democratic Party, 59 seats; New Democratic Republican Party, 35 seats; independent candidates, 9 seats; and One Clan Party [yizu dan 0001 2469 8093], 1 seat. It is the first time in South Korea's history that the number of seats obtained by the DJP, the ruling party, has been less than

50 percent of the total number. In a sense, the National Assembly elections are a public opinion poll on the achievements of the No Tae-u regime in the several months since it assumed office; and it further proved that the democratic consciousness of the South Korean masses is being enhanced, and the considerable strength of the opposition parties is manifested under the support of the masses.

The serious setback for the DJP in the National Assembly elections has inspired the opposition parties. Although the disadvantageous situation resulting from the split among themselves cannot be retrieved, the strong point of having a number of seats in the National Assembly can be used as a means of competing with the ruling party. It is difficult to predict whether or not the three main opposition parties will struggle with the party in office or not, and how they will jointly struggle with the ruling party. These parties are itching for a fight and attempting to achieve something. Kim Tae-chung and Kim Yong-sam have resumed their posts as presidents of their parties. Since the new Constitution was passed by the National Assembly on 21 September last year, which when compared with the previous constitution apparently strengthened the power of the National Assembly, and since more than half of the seats in the new National Assembly, and two of the three speakers, are in the hands of the opposition parties, it is predicted that political discussion in the National Assembly will not be diverted by the will of No Tae-u and the DJP. At the same time, the existing Constitution has greatly cut the power of the president, abolishing his power to adopt emergency measures and dissolve the National Assembly, while the National Assembly has the power to investigate and supervise state affairs. Under such circumstances, when No Tae-u formulates policies he has to consider the opinions of the opposition parties and, in particular, he cannot use dictatorial and high-handed methods to implement his policies. The change in the position of the opposition parties in the National Assembly is an encouragement to the masses. The opposition parties will take the masses and young students as their backing, and will mainly use the form of struggle in the National Assembly to exert their energy on realizing their political viewpoints and demands. The integration of the struggles inside and outside the National Assembly will put the No Tae-u regime in a disadvantageous position. Whether or not the No Tae-u regime can rid itself of the difficult situation depends on whether they keep their word, and continue to jointly implement the democratic reforms which they have promised, with the opposition parties. Otherwise, latent crises will emerge at any moment.

### III. Facing Severe Challenges [subhead]

Another issue which is closely linked to the National Assembly issue is the question of democratization. The most pleasant promise No Tae-u made before and after he came to power was to implement democratization. In his inaugural speech No Tae-u declared that he would

protect the "right of democracy and freedom" of the citizens. No Tae-u and his regime are facing the strong demand from the South Korean public for the right of democracy and freedom, and they know that if they do not comply with this historical trend it will be difficult for them to maintain their rule. Therefore, in the several months since No Tae-u assumed power there have been some actions carrying "democratic" colors. However, No Tae-u's implementation of democratization is similar to the action of squeezing a tube of toothpaste—only a little bit is squeezed out under strong pressure; and when the situation eases slightly he will play the same old trick and suppress democracy with the excuse of emphasizing "stability." The pardon granted on 27 February excluded the 1,200 "political prisoners." This group of so-called "political prisoners" in fact are people who resolutely oppose the Chon Tu-hwan-No Tae-u group. On 1 April, No Tae-u "redressed" the Kwang Ju Incident. Since he himself was one of the directly responsible persons in this incident, he could not handle this case in a completely fair manner. He could only perfunctorily make a conclusion that this incident is "classified as a democratic movement." In reality, this conclusion cannot gain the forgiveness of the masses. This was proved by the fact that the masses in South Korea launched large scale demonstrations to commemorate the Kwang Ju Incident, and loudly shouted the slogan: "Down With No Tae-u." The Peaceful Democratic Party also indicated that it would continue to negotiate with the government on the Kwang Ju Incident at a suitable time. Besides, if the No Tae-u regime fails to make good its promises, in particular if the reasonable demand of the masses for democracy and welfare cannot be satisfied, it is possible that student and strike movements may arise in turn. These would lead to instability in the South Korean political situation.

The contradiction between the new regime on one hand and Chon Tu-hwan and his force on the other also attracts people's attention. No Tae-u wants to use the power of Chon Tu-hwan to strengthen his ruling position and yet he has to maintain a gap between his regime and Chon Tu-hwan, or even has to make a clear break with him, so as to change his image. This certainly will bring disagreement between No Tae-u and Chon Tu-hwan and his group. The Chon Kyong-hwan incident is not yet over. Some people have already suggested expanding the scope of investigation and to further investigate questions concerning Chon Kyong-hwan's partners and their relationship with the previous government. These people also point out that the crimes of corruption committed by Chon Kyong-hwan are only a small part of those committed by the upper strata in South Korea. Kim Tae-chung alleged that President Chon Tu-hwan had also carried out illegal activities—corruption, and sending money abroad for investment—during his term of office, and demanded the government investigate and publicize the properties belonging to Chon Tu-hwan and his relatives. Since No Tae-u came to power he has indicated several times that he wants "to make the government clean," will "set strict demands on himself

and the people surrounding him," will regularly publicize the properties belonging to high-ranking government officials, and so on. On the one hand No Tae-u wants to carry out his promises and to handle a series of incidents that have incurred the greatest popular indignation in accordance with the aspirations of the people; on the other hand he wants to continue to get the support of Chon Tu-hwan's group in political and military circles. It seems to him that he cannot satisfactorily achieve both. It is obvious that the choice by the No Tae-u regime will directly affect its destiny.

The question of North-South dialogue and the reunification of Korea is one of the most difficult problems facing the No Tae-u regime. No Tae-u has announced several times that he will do something about this question, and that he is willing to hold any form of "dialogue" with the North at any place and any time. However, at the same time he also emphasized that South Korea's military strength will be vigorously bolstered to confront the actual strength of the North. In April, regardless of the opposition by the masses and the reprimand from international public opinion, the South Korean authorities again held large scale joint military exercise with the United States. This intensified the tense and antagonistic situation of the Korean peninsula. Recently, the calls from, and actions by, the South Korean public, in particular young students, for achieving North-South reconciliation and reunification are more vigorous than before. The South Korean authorities not only suppressed these calls and actions, but also claimed that the way they handled these cases is appropriate. International public opinion has already pointed out that reconciliation between, and the peaceful reunification of, North and South Korea could not be achieved if No Tae-u, as he indicated in the first press conference held after he had taken office, always puts the responsibility onto the North for not achieving any solution to the Korean issue, and holds that the South's position is always correct.

It will also not be easy to achieve the smooth running of the Olympic games. No Tae-u regards the good running of the Olympic games as a "great historical task" for raising the internal and external "prestige" of himself and the South Korean authorities, and for enhancing the "national consciousness" and "centripetal force" of the South Korean public. If the Seoul Olympic Games can be successfully organized, can No Tae-u and his regime and the situation be stabilized. On the one hand the No Tae-u authorities took active moves in the international arena to seek assistance from the United States and Japan, while on the other they suppressed the masses and used the excuse of not affecting the Olympic games to postpone "solving disputes over some important political issues," including "the Kwang Ju incident, and the corruption phenomena former President Chon Tu-hwan," and so on, until "after the Olympic games." They rejected opposition demands for the release of all political prisoners. This has in fact put the organizing of the Olympic games and the achieving of social progress in antagonistic positions. Moreover, whether the No Tae-u

regime can jointly organize the Olympic games with the north or not is also a serious test as to whether the No Tae-u regime can sincerely hope to proceed from the general situation of national interests to organize the Olympic games well.

How to maintain stable economic growth, how to handle external political and economic relations properly, and so on are the knotty questions that No Tae-u cannot avoid. First, there are many disadvantageous factors in economic growth. For instance, the further increase in the exchange rate of the South Korean won against the U.S. dollar; the United States abolished the favorable trade system it offered South Korea, and forced South Korea to open its domestic market to the United States; continual workers' strikes demanding wage increases; and so on. When the DJP suffered a setback in the National Assembly elections, South Korea's stock market dropped in an unprecedented manner. This also illustrated that the destabilizing factors in the political situation will certainly bring unfavorable effects to economic growth. The No Tae-u regime takes reliance on the United States and clinging to Japan as its spindle for foreign affairs. This is doubtlessly contrary to the will of the people in South Korea. Since last year, not only the anti-Japanese feeling in the South Korean public has run high, their anti-American feeling has also increased, and many anti-American demonstrations have broken out. Not long ago Seisuke Okuno, director general of the National Land Agency of Japan, spouted a stream of empty rhetoric and negated the historical fact of Japanese aggression. This aroused great indignation among the masses in South Korea. With the development of the democratization of the society, the demand by South Korean people to get rid of interference from the United States and Japan will become stronger and stronger. If No Tae-u and his regime continue to tightly tie their destiny to the United States and Japan, they cannot avoid even greater trouble.

**DPRK Coal Delegation Ends Heilongjiang Visit**  
*SK1908080688 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 18 Aug 88*

[Text] The five-member coal industry delegation from North Hamgyong Province of Korea led by (Yi Sun-sik), director of the Northern Area Research Institute for Bituminous Coal Excavating Technique, concluded its observation and visit in our province and returned home on 15 August.

During its stay in Heilongjiang, the delegation visited the Harbin coal machinery plant that is subordinate to the Northeast China and Inner Mongolia Coal Industrial Joint Corporation, the Shuangyashan Coal Mining Administration, the Hegang Coal Mining Administration, and the Jiamusi coal machinery plant. Members of the delegation observed with great interest the mechanized mining of thin and medium-thick coal beds; mechanized coal dressing; and the operation of conveyor belts, mining machines, tunnellers, hydraulic supports.

At a discussion meeting permeated with brotherly feelings, technical personnel of the two countries introduced the experiences and technology gained in their respective coal development and construction and expressed a desire for wider-range technological exchanges and cooperation in the future.

### **Southeast Asia & Pacific**

#### **Situation in Burma 'Continuously Turbulent'**

HK1908103788 Hong Kong LIAOWANG

OVERSEAS EDITION in Chinese No 33, 15 Aug 88 p 26

[Article by Wang Jinlan (3769 6930 5695): "Burma Changes Its Leader, the Situation Attracts Attention"]

[Text] Recently there have been great changes among the personnel of the highest leading ranks of Burma. U Ne Win resigned from the post of chairman of the Burma Socialist Program Party (BSPP), the ruling party, and the post was taken up by U Sein Lwin. U Sein Lwin holds concurrently the post of president, and follows U Ne Win in holding both party and government power. Since U Sein Lwin assumed power, Burma has been in a continuously turbulent situation, and the authorities have introduced martial law in the capital, Rangoon.

Over recent years, the economic and political situation in Burma has worsened. In order to formulate new economic policies, and to reverse the dangerous and disastrous situation, the BSPP held a special meeting in Rangoon from 23 to 25 July. U Ne Win, chairman of the party, surprisingly asked to resign. He said: "I am regarded as the person who cannot shrug off responsibility for the sad incidents which occurred in March and June. In addition, I am old, and my health is not good. Therefore, I request all party members to agree to my resignation from the post of chairman of the party." He also said that he was determined to "leave the political arena, and not take part in politics again." Following this request, five leaders—U San Yu, vice chairman of the party, U Aye Ko, general secretary of the party, U Sein Lwin, deputy general secretary of the party, and Tun Tin and Kyaw Htin, members of the Central Executive Committee, also asked to resign. Although some delegates asked U Ne Win to stay, he did not change his mind. Finally, the meeting agreed to the resignation of U Ne Win and U San Yu, and to the other four remaining in office.

Another important item on the agenda of this special meeting of the BSPP was to listen to the report of U Aye Ko, general secretary of the party, on amending the country's economic principles and policies, and the meeting passed a new economic reform program. The main contents of the reform program are: The government holds monopoly rights over teak, oil, natural gas, precious stones, weapons production, aviation, and communications; the setting up of private enterprises is allowed in the transportation industry, the service sector, the publishing industry, and so on; state control over

agriculture and fishery is to be removed; trade and agricultural freedom will be introduced; foreign investment is to be encouraged; foreign technology is to be imported; joint venture enterprises are to be established; and so on.

The BSPP convened its 10th plenary session on 26th July, and U Sein Lwin was elected chairman of the party, Kyaw Htin was elected deputy general secretary, U Aye Ko remains general secretary, and the post of vice chairman of the party is to be temporarily vacant. According to the Burmese Constitution, since U San Yu has resigned from the post of vice chairman of the party, he cannot continue to hold the post of president. At the emergency congress of the Fourth Burmese People's Assembly, held on 27 July, U Sein Lwin was elected the new president. The congress also decided who would be prime minister and deputy prime minister, and who would head several ministries. Up to this point, Burma has had the greatest change in its leading personnel in the 26 years since U Ne Win took power.

U Ne Win, who is 77 years old, took power in 1962. The Burma Socialist Program Party, established in the same year, announced in 1964 the abolition of all other political parties and the adoption of a one-party dictatorship. Over the past 20-odd years, the Burmese Government has been keen to develop the "Burmese path to socialism," has had doubts about foreign investment and technology, and has nationalized all the large and medium-sized factories, enterprises, and shops in the country. The government has also adopted the practice of strict mandatory and planned farming in agriculture. As a result, some peasants have refused to grow crops, and rice production has dropped tremendously. Burma was once the richest country in Southeast Asia, and was famous for rice production and export. However, over recent years it could not export rice, and some cities have had no choice but to adopt rationing. The gradual deterioration of the economy has led to serious shortages of commodities, inflation, and rampant black-market trading. According to reports, Burma's inflation rate is currently as high as 50 percent; it has foreign debts amounting to about \$4 billion; and its foreign exchange reserves are less than \$20 million. In the second half of last year, U Ne Win admitted for the first time that there were drawbacks to his policies, and said that reforms would be implemented, and that the constraints on some agricultural products would be relaxed. However, since these reform ideas were not backed up by policies, no results were achieved. At the same time, the government announced the abolition of banknotes of the three highest denominations, which made up 80 percent of the total amount of money in circulation, and refused to cash them. This practice aroused even greater opposition among the people.

From October last year, protests broke out one after another in Rangoon, Mandalay, and other cities. In particular, in March and June this year, two large-scale student strikes broke out in Rangoon. Thousands upon

thousands of students came onto the streets and put up antigovernment slogans, and were in direct confrontation with the Army and police sent to suppress them. According to official announcements, some 50 students were killed in these two confrontations. Observers consider that the continuous student movement shocked the Burmese political regime, and that U Ne Win had no choice but to resign.

U Sein Lwin, who has just taken office, is now 64 years old. He joined the Army in 1942, and is now a retired brigadier general. He held successively the post of government minister and leading posts in the party. In 1985, he was elected deputy general secretary of the BSPP, and became the number four figure in the party; and at the same time he also held the post of secretary of the Council of State. People in political circles in Rangoon consider U Sein Lwin to be a close friend of U Ne Win, and a strong supporter of his. In his inaugural speech, U Sein Lwin called on the whole party to "stop corruption, waste, going slow, degenerate activities, and other incorrect actions," and to work hard in successfully fulfilling the task of economic reform. He claimed that the mistakes committed by the ruling party in "most of its work" were the responsibility of individual officials, and resulted from "faults in the policies." Western diplomats point out that U Sein Lwin's speech defending past policies in Burma has disappointed many people. Therefore, people are even more doubtful about the future of economic reform.

According to reports, on 29 July, the third day after U Sein Lwin assumed power, about 200 students gathered in front of the Shwedagon Pagoda in Rangoon. They put up antigovernment slogans, and delivered antigovernment speeches. The incident which attracted people's attention most was that Aung Gyi, a senior government statesman who had stepped down, and another 12 people belonging to opposition factions were arrested on the same day. The new regime accused Aung Gyi of distributing letters among students and the people, and of sowing dissension between the Army and the leaders. Aung Gyi is now 70 years old, and he was the number two leader in Burma when U Ne Win came to power. In 1963, he fell out with U Ne Win when he advocated the implementation of free economic policies. In a letter Aung Gyi wrote to U Ne Win in May this year, he said: Under the rule of U Ne Win, the "country has fallen into the worst situation in the political, economic, and social aspects; and the saddest thing is that the prevailing morality has become corrupt." On 19 July, he again issued the public reprimand that the "suppression of the student movement by U Ne Win and U Sein Lwin is an action that disregards the Constitution and infringes on human rights."

In view of the recent demonstrations and riots in the capital, the Burmese Government on 3 August announced a state of emergency in Rangoon City, and that martial law was to be introduced in the city. However, the next day, several thousand students held

demonstrations in the streets, and demanded that U Sein Lwin step down and the release of people holding opposing political opinions. The government mobilized troops, but no direct confrontations occurred. According to information, up to 5 August, the authorities had arrested 149 people. On 6 August, antigovernment demonstrations by several thousand students and masses broke out successively in Pegu, Yenangyang, and Thantabin, and there were clashes between the police and protesters. Five people were beaten to death, and several dozen injured.

Local observers consider that during the wave of continual unrest and arrests, it is difficult to implement economic reforms smoothly. The turbulent situation in Burma is attracting people's attention.

#### Commentary on Post-U Sein Lwin Era

BK1908022488 Beijing International Service  
in Burmese 1130 GMT 18 Aug 88

[XINHUA correspondent commentary on political situation in Burma]

[Text] The posts of the Burma Socialist Program Party chairman and the president of the country remain vacant since the resignation of U Sein Lwin from those two posts on 11 August. Many people are keeping a close watch on what changes will there be in the political situation in Burma. Although the government-owned Burmese press has so far made no comments about why U Sein Lwin resigned, it is quite obvious that the massive anti-government demonstrations forced him to do so.

A mass demonstration broke out in Rangoon on 8 August, and in 2 days, the demonstrations spread rapidly throughout the country. The protests were mainly directed at the new president, U Sein Lwin. The demonstrators strongly demanded U Sein Lwin's resignation, saying he was directly responsible for the bloody events in March this year. The army suppressed the demonstrations and riots in Rangoon. But it was to no avail as the demonstrations continued without any let up.

Protests have calmed in Rangoon following U Sein Lwin's resignation, but the situation is not all that normal. Today, troops are still stationed at several places in Rangoon, and martial law and curfew are still in force. All schools, from primary to university levels, are still closed. Today, attention is on the meeting of the Burma Socialist Program Party Central Committee and the emergency session of the People's Assembly, which, according to the government, will be held on 19 August. A new leader is expected to be chosen at the meetings.

Observers believe that although antagonisms have eased and anger has lessened among the people after U Sein Lwin's resignation, the consequences of the bloody

August events are yet to be resolved. Many are interested in how the new leader would try to calm the turbulent situation and soothe the hearts of the people.

It is learned that the students have been demanding a multiparty system, and attention should be paid to this matter. At the July party congress, the former party chairman, U Ne Win, proposed that a national referendum be held to decide on a single or a multiparty system, but the congress rejected that proposal. Today, the students are calling for that referendum as a democratic right.

People in the know say the resignation of U Sein Lwin only after 18 days as president greatly hurt the ruling party. It has been 26 years since the Burma Socialist Program Party had been in power. Will Burma maintain its current political structure, will it give more democracy, or will it change the single party system in the future? This is the important question that all the people, those with power and those without, are interested in. An unstable situation only aggravates economic hardships and affects food, clothing, and shelter conditions of the people. It is learned that people are hoping that the new leader would be able to implement the proposed economic changes and work effectively toward economic development with the available resources in Burma in the same way the other countries are doing the world over. Burma is at an important crossroads. It would be necessary to keep a watch on how the political situation would change and what impact it will have on politics and economics in the future.

**Spratly Survey Team Returns to Guangzhou**  
OW1808114688 Beijing XINHUA Domestic Service  
in Chinese 1710 GMT 17 Aug 88

[By reporter He Huifei]

[Text] Guangzhou, 17 Aug (XINHUA)—The Nansha [Spratly] Scientific Survey Team of the Chinese Academy of Sciences [CAS] today returned safely to its base in Guangzhou following the completion of a scientific survey of the Nansha Islands.

The survey team went to the Nanshas aboard the "Experiment No 3" scientific survey ship of the Nanshai Oceanographic Research Institute under the CAS. In 37 days the scientific workers completed according to plan their mission of carrying out many scientific surveys of some of the islands and reefs of the Nansha Islands and of the surrounding sea waters, gathering much valuable scientific information and data.

**Hanoi Rejects Kampuchean Peace Proposal**  
OW1808221788 Beijing XINHUA in English  
1445 GMT 18 Aug 88

[Text] Hanoi, August 18 (XINHUA)—Hanoi has rejected the Democratic Kampuchean Party's comprehensive proposal to resolve the Kampuchean problem, saying today that it would not prevent the "Khmer Rouge" from returning to power.

In a proposal signed by its leader Khieu Samphan, the Democratic Kampuchean Party agreed on Wednesday to establish "an international mechanism" to prevent any one Kampuchean party from dominating the others in a future government.

The proposal also called for the international community to prevent Vietnam from committing further aggression against Kampuchea. It called the key to solving the problem the withdrawal of Vietnamese forces from Kampuchea.

Vietnamese Foreign Ministry Spokeswoman Ho The Lan told a news briefing today that preventing the "Khmer Rouge" from returning is the number one problem. She called it impossible to promote a political settlement of the Kampuchea issue so long as their return was possible.

The spokeswoman said the withdrawal of Vietnamese troops from Kampuchea must be linked closely with keeping Pol Pot's system from returning and a halt of military assistance to Kampuchean resistance forces.

Diplomatic observers here view Hanoi's stand as an attempt to prolong its occupation of Kampuchea and to leave the resolution of the Kampuchean issue at an impasse.

## Near East & South Asia

### Further Reportage on Pakistan's Ziaul Haq Death

**'Dispatch' on Ziaul Haq Death**  
HK1908105888 Beijing RENMIN RIBAO  
in Chinese 19 Aug 88 p 1

["Dispatch" by staff reporter Ren Yujun (0117 3022 7486): "The Death of President Ziaul Haq"]

[Text] Islamabad, 18 Aug—President Ziaul Haq was killed in a plane explosion. The grievous news shocked the whole nation. The air throughout Islamabad seemed to be congealed.

It was fine on the morning of 17 August when President Ziaul boarded a special C-130 plane and flew from Islamabad to Bahawalpur in east Pakistan near the Indian border. The aim of the trip was to inspect army units and to watch a military exercise. Among his entourage were 10 generals, including General Akhtar Abdul Rehman, chairman of the Joint Chiefs of Staff committee, and other high-ranking officials including presidential press secretary (Salik) [sha li ke 3097 0448 0344]. Mr Arnold Raphel, U.S. ambassador to Pakistan, and Brigadier General Herbert Wassom, head of the Office of the U.S. Defense Representative to Pakistan, also travelled by the same plane.

Bahawalpur is situated in the desert. On this trip President Ziaul wanted to watch combat exercises involving the new tanks recently supplied by the United States. Full of zest, President Ziaul watched the military exercises and delivered a speech to the officers and men participating in the exercises.

At 1530, President Ziaul and his party boarded the special C-130 plane to fly back to Islamabad and at 1537 the plane took off from Bahawalpur Airport. Two escort planes also took off simultaneously. Four minutes after the group of planes took off, the pilot of one of the escort planes suddenly reported to the ground that smoke and sparks were coming from the president's plane. No sooner had he said this than the pilot gave a startled cry: "The president's special plane is on fire and has exploded!" The tragedy had happened.

The C-130 plane exploded in mid-air 7 km from Bahawalpur and the debris was scattered over an area 10 km in diameter. Of all the people on board including President Ziaul, more than 20 senior military and government officials, and the 13-member crew, none survived.

After the explosion, several thousand people rushed to (Jamupu) [qia mu bu 1874 1191 1580] village and the surrounding areas where the debris was scattered. Many of them wept bitterly.

Since the National Assembly and the Junejo government were dissolved, Ziaul Haq has been both president and prime minister and shots of him invariably appeared in the television news at 1900 every day. The fact that there were no reports of President Ziaul's activities in the newscast on the night of 17 August surprised many people, but nobody suspected that there had been a plane crash. It was not until 2000 that the Pakistan radio station suspended regular programming and broadcast the Koran, which was immediately followed by the announcement of the news which shocked the whole nation.

After the news of President Ziaul's death was announced, the Karachi stock exchange immediately suspended business. On the streets of Islamabad, groups comprising three to five people could be seen nervously discussing this important news but restaurants and shops remained open. Former Prime Minister Junejo mourned President Ziaul's death and said that, as an important figure linking Pakistan's past and future, Ziaul's death would probably create a political and power vacuum in the country. Ms Benazir Bhutto, president of the Pakistan People's Party, also expressed her condolences after hearing the news and said that life and death are in God's hands.

On the morning of 18 August, the presidential palace, all government departments, and all foreign embassies in Islamabad flew their flags at half-mast to pay their respects. The newly appointed President Ghulam Ishaq has announced that President Ziaul Haq's state funeral will be held on 20 August.

#### Li Xiannian Sends Condolences

OW1908073988 Beijing XINHUA in English  
0717 GMT 19 Aug 88

[Text] Beijing, August 19 (XINHUA)—Li Xiannian, chairman of the Chinese People's Political Consultative Conference, sent a condolence message today to the new Pakistani President Ghulam Ishaq Khan on the death of late President Mohammad Ziaul Haq.

In his message, Li said, "To my great shock and deep sorrow, H.E. Mohammad Ziaul Haq, president of the Islamic Republic of Pakistan, passed away in a tragic accident.

"His demise has deprived Pakistan of an outstanding leader, and the Chinese people as well as myself of a respective friend. I wish to express my profound condolences and sincere sympathy and solicitude to you and, through you, to the bereaved family."

#### Ziaul Haq Profiled

HK1908034188 Beijing RENMIN RIBAO  
in Chinese 18 Aug 88 p 1

[Report by RENMIN RIBAO reporter Ren Yujun [0117 3022 7486] and XINHUA reporter Li Jiasheng [2621 1367 5116]: "Pakistani President Haq Died in Plane Explosion"]

[Text] Islamabad, 17 Aug (RENMIN RIBAO)—According to the news broadcast by the Pakistan Press Association tonight, the Pakistani President Ziaul Haq was killed today in an explosion of his private plane.

The private plane carrying the Pakistani President Ziaul Haq exploded in area near Bahawalpur, southwest of Islamabad, in the eastern part of Pakistan. High-ranking officials including General Akhtar Abdul Rehman, chairman of the Joint Committee of the three forces of Pakistan, and the US ambassador to Pakistan were also killed in the explosion.

According to the Constitution, Ghulam Shaq Khan, Senate chairman, has taken over as president. The emergency meeting of the caretaker government of Pakistan decided tonight to have 10 days of national mourning for the death of President Haq.

Investigations into the explosion of President Haq's plane are being conducted.

Mohammad Ziaul Haq was born in Punjab Province in 1924. During World War II, he was in active service in Burma, Malaya, Indonesia, and other areas. He graduated from the Tailadeng (0669 2139 4098) Military School, India, and the Jida (1015 6671) Institute for staff officers, Pakistan in 1945 and 1955 respectively. In 1966, he took up the post of head of an armored division, and was then promoted to commander of this division. He took up the post of army commander of the second

troop of the land forces in 1975, was promoted to general and then became chief of staff of the land forces in 1976. On 5 July 1977, the Pakistani Armed Forces took power, and Ziaul Haq took the office of chief martial law administrator. He came to power as president on 16 September 1978.

**Acting President Profiled**

OW1908005988 Beijing XINHUA in English  
1816 GMT 18 Aug 88

[Text] Islamabad, August 18 (XINHUA)—Ghulam Ishaq Khan, who assumed the office of the president of Pakistan on August 17, 1988, was born on January 20, 1915 at Ismail Khel, Bannu, in the Northwest Frontier Province (NWFP).

He graduated in science of chemistry and botany from the Punjab University.

In 1940, Ghulam Ishaq Khan entered the Northwest Frontier Province's civil service.

When Pakistan gained independence in 1947, Ghulam Ishaq Khan was appointed secretary to the chief minister of the Northwest Frontier Province. A year later, he assumed responsibilities as home secretary and the same year he was appointed as secretary of food and director of civil supplies in the NWFP Government.

After the formation of one unit in the then West Pakistan, he was appointed as secretary of development and irrigation in the West Pakistan Government.

Ghulam Ishaq Kahhan was appointed chairman of water and power development authority on February 1, 1961. On April 11, 1966, he assumed responsibilities as the finance secretary of the Government of Pakistan, which post he held for four years. On September 1, 1970, he was appointed as cabinet secretary. The following year, he was appointed as governor of state of Pakistan.

Ghulam Ishaq Khan led Pakistan delegation to the Economic Committee of Muslim States held at Jiddah, Saudi Arabia, in April to May 1974. He was appointed secretary general (defense) to the Government of Pakistan on November 24, 1975.

Ghulam Ishaq Khan was appointed secretary general-in-chief with the status of a federal minister on July 7, 1977. On January 14, 1978, he was appointed as adviser for planning and development, and on April 21, 1979, federal minister for finance commerce and coordination and deputy chairman of the Planning Commission.

He was elected to the Senate in March 1985 and was subsequently elected as chairman of the Senate on March 21, 1985. On expiry of his term, he was re-elected chairman of the Senate in March 1988.

**New Pakistan Army Chief Profiled**

OW1808231188 Beijing XINHUA in English  
0937 GMT 18 Aug 88

[Text] Islamabad, August 18 (XINHUA)—Following is the profile of the newly appointed Chief of the Army Staff of Pakistan Armed Forces Lt. Gen. Mirza Aslam Baig.

Mirza Aslam Baig was commissioned in the Baluch Regiment in February 1953. As a young officer he served in special services group. He graduated from the Command and Staff College in Quetta, capital of Baluchistan Province in 1962 and from the National Defence College in Rawalpindi in 1972. He has served on many command and staff appointments in various ranks. He has also served as instructor in the National Defence College, Rawalpindi.

He has the command experience of an infantry battalion, an infantry brigade, an infantry division and corps. He has also served as chief of general staff at the General Headquarters. For his meritorious services he has been awarded Hilal-e-Imtiaz (Military and Sitara-e-Basalat).

In 1987, Lt. General Mirza Aslam Baig was promoted to the rank of general and appointed as chairman of joint chiefs of staff committee and vice chief of the Army Staff respectively.

Pakistan Acting President Ghulam Ishaq Khan appointed Mirza Aslam Baig as the chief of the Army staff which office was held by late President Ziaul Haq who was killed yesterday in an air crash.

**Pakistani Minister on Emergency**

OW1808232788 Beijing XINHUA in English  
1437 GMT 18 Aug 88

[Text] Islamabad, August 18 (XINHUA)—Emergency has been imposed in Pakistan to give power to the federal government to meet certain necessary requirements of legislation. It is necessary because Article 233 of the Constitution restricts state of making laws, Pakistan Federal Minister for Justice Wasim Sajjad said here today.

Emergency was imposed in the country last night by Senate Chairman Ghulam Ishaq Khan who took over as president of Pakistan under the Constitution after President Ziaul Haq was killed in an air crash yesterday afternoon.

Talking to newsmen, Sajjad said that the proclamation of emergency in Pakistan does not affect the fundamental rights of the people.

Sajjad explained that the emergency will also not effect the power of the judiciary.

He said that the Emergency Council will act as an administrative body to advise and assist the president. The Acting President Ishaq Khan, he added, will be competent to take final decisions at the highest level.

He reassured the press that the scheduled elections will take place strictly in accordance with the Pakistan Constitution and the political parties act. The political parties will continue to enjoy their constitutional rights, he added.

#### **More Details Given on Death**

OW1908010388 Beijing XINHUA in English  
1805 GMT 18 Aug 88

[Text] Islamabad, August 18 (XINHUA)—Wreckage of the C-130 plane which crashed with Pakistan President Mohammad Ziaul Haq killed yesterday afternoon was found scattered over several acres of land near the small hamlet of Khamb Kaliar on the banks of River Sutlej in Bahawalpur of Punjab Province southeast of Islamabad.

The crash near the village was witnessed by several [word indistinct] working in the fields, the ASSOCIATED PRESS OF PAKISTAN (APP) said.

Eyewitnesses told visiting journalists at the site of the crash that the plane took several somersaults before crashing into the fields. It caught fire and exploded immediately.

Inhabitants of the nearby village Lal Kamal rushed to the site of the crash. Thousands of others from Bahawalpur also rushed to the place in buses, trucks, jeeps and cars. Senior army and civilian officers also reached the place. Helicopters flew overhead to spot survivors, if any. Cranes and fire brigades also went there and started fire extinguishing operations.

Most of the victims totalling 30 were identified from their ranks, medals and decorations, it said.

The bodies were carried on stretchers from the place of occurrence and taken by ambulances to the planes for transportation to Islamabad and their home towns. Nine bodies were sent directly from Bahawalpur to their native towns and the remaining bodies have been brought here at the Chklala Air Base. The newly appointed President Ghulam Ishaq Khan went to the airport to receive them.

The late president will be given a state burial on coming Saturday and many heads of state and government of foreign countries are invited to attend his funeral.

Life remained completely at a standstill throughout the country today, the first day of a ten-day mourning for the demise of the late president.

#### **Pakistan Opposition Reaction**

OW1908051788 Beijing XINHUA in English  
1044 GMT 18 Aug 88

[Text] Islamabad, August 18 (XINHUA)—Pakistan opposition parties have reacted in various manners to the news of the sudden death of President Ziaul Haq in an air crash yesterday afternoon.

According to local press today, Malik Mohammad Qasim, secretary-general of the Movement for Restoration of Democracy (MRD), the largest opposition alliance in the country, described the news as very tragic. He said he is trying to establish contact with the leaders of the alliance so as to hold a meeting to take stock of the latest situation.

Benazir Bhutto, co-chairperson of the Pakistan People's Party (PPP), the biggest opposition in the country, said that late President Ziaul had made her party a target of his vendetta, and PPP is watching the situation after his death carefully.

She told newsmen yesterday in Karachi, the largest city of Pakistan, that it is difficult to believe that the Ziaul era is actually over. She said, "Ziaul rule was an extremely violent one. It started with violence and it seems that it ended with violence," she added.

She expressed her party's will to cooperate in a smooth and constitutional transfer of power (after the forthcoming elections).

Ghulam Mustafa Jatoi, chairman of the National People's Party (APP) has described the death of President Ziaul a great tragedy and a shocking news which has put the country into another crisis. He urged the acting President Ishaq Khan to immediately contact the leading political parties of the country and try to evolve a consensus to form a national government during the interim period till the elections are held on November 16.

Nawabzada Nasrullah Khan, president of the Pakistan Democratic Party has expressed profound sorrow over the tragic air crash. The veteran political leader said after the death of Ziaul the existing cabinet does not have any legal status and the ministers should tender their resignation. He demanded that the Senate chairman should constitute an interim caretaker government made up of representatives of the country's political parties to take up the task of holding general elections within the period prescribed in the Constitution.

Other opposition leaders also expressed their grief over the tragic air crash. They held that at the present juncture such a development has created a new and very critical situation in the country. They emphasized that the nation with full determination and courage should restore constitutional institutions and that no one should be allowed to surpass the Constitution of the country.

**Indian President To Attend Funeral**  
*OW1908001588 Beijing XINHUA in English*  
1531 GMT 18 Aug 88

[Text] New Delhi, August 18 (XINHUA)—Indian Prime Minister Rajiv Gandhi stated here today that Indian President R. Venkataraman will go to Rawalpindi to attend the state funeral of the late Pakistan President Ziaul Haq on Saturday, August 20.

Gandhi was replying to questions from reporters at the Pakistan Embassy where he went to express his condolences on Zia's death.

Gandhi said, "I got to know President Zia very well on a number of occasions. We telephoned each other to reduce tensions. We spoke to each other to sort out problems within the SAARC [South Asian Association for Regional Cooperation]."

He wrote in the condolence book: "India looks forward to building a healthy friendly relationship with Pakistan. We will strive for it."

**Commentary on Afghanistan Military Situation**  
*HK1908075588 Beijing RENMIN RIBAO*  
in Chinese 18 Aug 88, p 6

["Commentary" Ai Ping (5337 1627): "Afghanistan: Three Months Since the Geneva Agreement Came Into Effect"]

[Text] It is now 3 months since the Geneva agreement on finding a political solution to the Afghan question came into effect, on 15 May of this year.

The past 3 months have been full of complications and struggles. Over the past 3 months, the two opposing sides in Afghanistan have frequently accused each other of violating the Geneva agreement. The Soviet Union has issued a statement saying that it will no longer tolerate the "violation of the Geneva agreement" by the other side and it reserves the right to take necessary measures if the situation demands. The Soviet Union has even stated that if the Afghan situation deteriorates further, it will probably reconsider its "timetable for the withdrawal of Soviet troops from Afghanistan." Fortunately, the withdrawal of the Soviet troops from Afghanistan has been carried out basically according to the Geneva agreement. Recently, the Soviet Union announced that by 14 August, some 57,000 Soviet troops, accounting for 50 percent of the total number of the Soviet troops stationed in Afghanistan, had left Afghanistan. As a result, world opinion has expressed satisfaction over the pace of the withdrawal of the Soviet troops from Afghanistan. People generally believe that the withdrawal of the Soviet troops from Afghanistan will continue in the next 6 months. The Soviet Union has stated that the remaining 50 percent of the Soviet troops stationed in Afghanistan will have left Afghanistan by 15 February 1989, the official date stipulated in the Geneva agreement. As for

what will actually take place, people will have to wait and see. However, there is one thing which we can be sure of: If the withdrawal of the Soviet troops from Afghanistan were stopped in progress, it is the Soviet Union that would suffer the most. Although the Soviet Union could put the blame on the other side, world opinion would certainly condemn the Soviet Union again. The discontentment of the Soviet people would be intensified. And it would be extremely difficult for the Soviet Union to maintain the morale of the Soviet troops stationed in Afghanistan. Even worse, the implementation of a series of new Soviet foreign and domestic policies would be hampered.

Along with the further withdrawal of the Soviet troops from Afghanistan, the military conflicts between the two opposing sides in Afghanistan will escalate. The troops of the Kabul regime are now trying to maintain control over the cities, towns, and some strategic points from which the Soviet troops have been withdrawn whereas the Afghan resistance forces are trying to capture and control these cities, towns, and strategic points. Thus, one side is trying to hold the cities, town, and strategic points whereas the other side is trying to capture these cities, towns, and strategic points. This is the most outstanding characteristic of the military conflicts in Afghanistan during the period when the Soviet troops are being withdrawn from Afghanistan. It is reported that over the past 3 months, the Afghan resistance forces have captured more than 100 military strongholds and 25 cities and towns from the troops of the Kabul regime. The Afghan resistance forces even once captured the province of Vardak and the province of Cha Bu Er [2686 1580 1422]. The commander of the Soviet troops stationed in Afghanistan recently said that during the two months between 15 May and 15 July, the Afghan resistance forces launched a total of nearly 3,000 armed attacks against the troops of the Kabul regime. At present, very fierce fighting between the Afghan resistance forces and the troops of the Kabul regime is still going on in the two areas: Kandahar and Konduz. Now, the Afghan resistance forces have gathered nearly 10,000 troops and have encircled Kandahar, the second largest city of Afghanistan. Fierce fighting has been going on there for quite some time. Konduz is the capital of the province of Konduz, which is very close to the Soviet Union. After the Soviet troops withdrew from Konduz on 10 August of this year, the Afghan resistance forces immediately broke through the defense lines set up by the troops of the Kabul regime and captured nearly all the areas in Konduz except the airport. The latest information shows that the Afghan regime has assembled more than 2,000 troops and is now preparing to recapture Konduz. It is expected that more fierce fighting between the Afghan resistance forces and the troops of the Kabul regime will soon break out.

Public opinion generally believes that the military conflicts between the two opposing sides of the Afghanistan will continue for a long time to come in the future. The main reasons are: First, the two opposing sides of

Afghanistan strongly oppose each other and have no intention of reconciling with each other. At present, the two opposing sides are trying to wipe out each other by military force; Second, the two opposing sides are militarily capable of fighting against each other for quite some time because each side is supported by a super-power.

In order to realize peace in Afghanistan, the United Nations has put forward a "double-track" plan. According to the U.N. "double-track" plan, while the withdrawal of the Soviet troops is being carried out, Afghanistan should try to organize a provisional coalition government. Over the past 3 months, no substantial results have been achieved in organizing a provisional coalition government in Afghanistan. Between June and July, Mr Cordovez, the U.N. mediator, shuttled between these conflicting areas of Afghanistan in order to get all the conflicting sides in Afghanistan to sit at the negotiation table to reconcile with one another and establish a provisional coalition government in Afghanistan. Mr Cordovez has also put forward a peace plan. According to his peace plan, the Afghan National Assembly will be held on 1 September this year and elections to elect an Afghan coalition government will be held before 15 March of 1989. Obviously, this peace plan has failed to achieve the desired results. The largest resistance force of Afghanistan has already refused to cooperate with Muhammad Najibullah and said that it will continue fighting until the Kabul regime is overthrown. Therefore, the question of how to break the deadlock and realize a real national reconciliation in Afghanistan is no doubt a hard nut to crack.

At this point, very few Afghan refugees have started to return to their motherland. The entire process of the return of the Afghan refugees to their motherland has been progressing very slowly. According to the figures announced by the Kabul regime, only a small number of Afghan refugees have returned to Afghanistan over the past 3 months. The majority of the Afghan refugees are still living abroad. The main reason is that the situation in Afghanistan is still unstable. The Afghan refugees are afraid that their safety cannot be guaranteed and they will have a lot of difficulties in making a living if they return to Afghanistan.

In one word, the situation in Afghanistan over the past 3 months since the Geneva agreement came into effect shows that although the first-phase withdrawal of the Soviet troops from Afghanistan has been completed, fierce fighting between the Afghan resistance forces and the troops of the Kabul regime have still been going on. A peaceful settlement of the Afghan question is far beyond reach. Restricted by various domestic and international factors, the peace process of Afghanistan has been progressing at a snail's pace. Thus all sides which have signed the Geneva agreement and all relevant parties in Afghanistan need to jointly make efforts to push forward with the peace process in Afghanistan.

**Wu Xueqian, Indians Discuss Border, Ties**  
*OW1908120588 Beijing XINHUA in English*  
1149 GMT 19 Aug 88

[Text] Beijing, August 19 (XINHUA)—Chinese Vice-Premier Wu Xueqian today told Indian visitors that Sino-Indian relations in political, economic, cultural and other fields have enjoyed substantial development in the past few years, though vast potential still exists.

Wu, also member of the Political Bureau of the Chinese Communist Party Central Committee, made the remark while meeting a delegation from the All-India Peace and Solidarity Organization (AIPSO) headed by AIPSO's Presidium member, Romesh Chandra.

Wu said further development of Sino-Indian relations on the basis of the Five Principles of Peaceful Coexistence will be conducive to a lasting peace in Asia and the world in general.

On the Sino-Indian border issue, Wu and his guests agreed that so long as the two governments follow the principle of "mutual understanding and mutual accommodation," and handle the matter with patience, this problem left over by history will gradually be solved.

The visitors arrived here on August 7 as guests of the Chinese People's Association for Peace and Disarmament.

**Qi Huaiyuan Discusses Gulf Peace With Iran**  
*OW1908011088 Beijing XINHUA in English*  
0013 GMT 19 Aug 88

[Text] Tehran, August 18 (XINHUA)—Visiting Chinese Deputy Foreign Minister Qi Huaiyuan met here today Iranian Parliament speaker Hashemi-Rafsanjani and Prime Minister Hoseyn Musavi on separate occasions.

During the meeting, Rafsanjani told Qi that "Iran is sincere toward ending the war with Iraq and wishes for peace in the Gulf area."

On the bilateral relations, Rafsanjani noted, "to strengthen the friendly cooperation with China is Iran's consistent policy which is in the interest of the nations in Asia and the Third World."

Qi appreciated Iran's move in pushing the Gulf regional situation along a positive line and expressed the hope for further development of the bilateral ties between China and Iran.

Prime Minister Musavi discussed with Qi the matters related to the implementation of the U.N. Resolution 598 for ending the Gulf war. Musavi said that Iran hopes that China would play its active and just role in fully implementing the U.N. resolution. "Iran gives a priority to the China-Iran relations," he said.

Qi arrived here on Monday. During his three-day visit, he also met Iranian Foreign Minister 'Ali Akbar Velayati, Agricultural Minister 'Abbas-'Ali Zali and had two rounds of talks with Deputy Foreign Minister Mohammad Javad Mansuri.

Qi is scheduled to leave Tehran tomorrow.

**Curfew Imposed in Kashmir After Demonstrations**  
*OW1808202288 Beijing XINHUA in English*  
0942 GMT 18 Aug 88

[Text] New Delhi, August 18 (XINHUA)—Indefinite curfew was imposed and shoot-at-sight order issued early today after pro-Pakistan demonstrators took to the streets in Srinagar, capital of India-controlled area in Kashmir, as news of President Ziaul Haq's death spread.

According to a PRESS TRUST OF INDIA report from Srinagar, men of army, police and paramilitary forces were deployed to guard important installations after youths shouting pro-Pakistan slogans indulged in arson and stone pelting.

**Sub-Saharan Africa**

**Analysis Views Zambian Party Meeting**  
*OW1808153788 Beijing XINHUA in English*  
0702 GMT 18 Aug 88

["News Analysis: An Important Meeting for Zambia's Future (by Chen Hegao)"]—XINHUA headline]

[Text] Lusaka, August 17 (XINHUA)—The 10th General Conference of Zambia's ruling United National Independence Party will open tomorrow at the Mulungushi Rock of Authority to draw political and economic programs to be pursued in the next five years. Since many issues to be discussed at the meeting are related to this year's general elections, the conference could also be described as a prelude to the exercise.

At the six-day conference, party President Kenneth Kaunda is expected to be re-elected for another five-year term because he has already been endorsed as the sole candidate for the chairmanship by the National Council. That, according to the party Constitution, also means he will automatically become the sole presidential candidate for this year's general elections, the date of which will be announced at the conference together with the announcement of dissolving the Parliament.

Among other things, the meeting will amend the party Constitution to allow the enlargement of the party Central Committee from the present 25 members to 68.

On Monday, President Kaunda said if the draft party constitution is adopted at the conference, it will mark a watershed in Zambia's political history and affect the nation's future.

But diplomats here said there will be no big surprise from the meeting, which will be attended by 6,000 delegates from the every corner of the nation, because it will merely endorse decisions already taken by the party leadership.

Most important thing the Zambians are concerned about from the meeting is that if anyone will stand to challenge President Kaunda in the presidential election.

Political analysts said although President Kaunda has been proposed as the party's sole presidential candidate, it has not killed the possibility that within the party leadership ranks there could be some people hankering for the presidency.

However, in apparent reference to the speculations, party Secretary General Grey Zulu said before the conference: "The party is strong enough to face anyone."

Last month, Sikota Wina, former member of the party Central Committee, proposed that President Kaunda step down to become an elder statesman by retaining the party chairmanship only and advise those he has coached to run the government.

Reacting to such proposal, President Kaunda told reporters that he will not consider stepping down because he still has a lot to contribute to the country's development and the continent as a whole. President Kaunda has led the country since 1964 when Zambia became independent.

So far no one has announced he wants to run for the presidency.

It is unlikely that any Zambian can beat him in the elections as Kaunda has a large following in the country and therefore nobody has the chance to win the election.

Though this year's elections will be held when the country is experiencing its most difficult time since the independence because of the economic crisis, Zambians accept some of the problems besetting the country have been caused by external forces and [are] out [of] the government's control as explained by President Kaunda.

At the general conference, what will arouse much debate are the proposed amendments to the party Constitution by the party Central Committee and the National Council to allow 26 cabinet ministers to be part-time Central Committee members.

Full-time members will be those in charge of provinces and subcommittee chairmen of political, economic, social and culture.

The opposition to the amendment is not directed at the enlargement but at the appointments of the members. As the ministers are appointed if they are included in the Central Committee they will not be elected members. In fact other members are also appointed by the leadership.

The Zambian Congress of Trade Unions has reiterated the suggestion to elect members of the Central Committee instead of appoint them.

But there is no sign that the general conference will accept such proposal by the trade union, analysts said.

**GUANGMING RIBAO on Political Stability**  
*HK1908094088 Beijing GUANGMING RIBAO*  
*in Chinese 1 Aug 88 p 3*

[Article by Chen Xiankui (7115 0341 1145): "Political Stability During the Initial Stage"]

[Text] In contemporary political theories there are many on political stability. The important points of these include the following three essential factors: Order, ability of regulation and adaptability, and continuity. In my opinion, political stability in the initial stage of socialism refers to the course of the systematic political development and change during the initial stage. In the course of this change, the socialist political system is capable of adapting itself to the environmental transformation and to the changes in the essential factors and their mutual relations within the system. It can contain and standardize the contradiction of social interests so that it will not become an overall, antagonistic conflict, thus ensuring that society will continue to advance along the democratic road.

Political stability in the initial stage is a developing-type political stability. According to the categories of the theories of political stability, rigid-type political stability regards political stability as the value of an objective. It rejects or hinders a change which eventually leads to a decline in social vitality, and stagnation in social development. As the political system of a sluggish-type political stability does not have the ability to develop no matter what changes are effected, it will periodically return to its original state characterized by "super stability" social stagnation. The initial stage is the course of development in which socialism constantly perfects itself. Political stability in the initial stage belongs to a developing-type political stability; that is, political stability is a means rather than an objective. The objective of political stability in the initial stage is democratic politics, modernization, and development to a higher social stage. In other words it regards stability as the basis and environment for development, seeking development through stability and consolidating stability through development. In addition, such development constitutes a coordinated development of the essential factors of government functions, government and party role, and mass activities within the political system and their mutual relations, rather than a unified course of "great unification." Hence there is no fundamental change in any of the essential factors, nor a sudden termination of political development and a disappearance of essential social forces, nor abnormal expansion of certain essential factors, processes, and social forces. Conditioned by the inherent requirements of the political system in the initial stage of socialism, they develop in a coordinated and orderly way so that the structure of essential factors and their mutual relations will further tend toward rationality.

In the initial stage of socialism overall political turbulence does not exist. Even though there are many unstable factors the capacity for turbulence is relatively low. The socialist system has abolished class confrontation and its social roots. The fundamental interests of the people coincide and the objective basis for antagonistic conflict and overall turbulence no longer exists. As a result, political stability in the initial stage has a solid social foundation.

As China's socialism is still at its initial stage, there exist many unstable factors in political development. First, because of the existence of division of labor in society, the influence of various socialist economic relations in the initial stage, differences in needs and understanding among the people, and the relevant nonantagonistic political conflict; they can be changed to antagonistic conflict if not properly handled. Second, because of the backward economy and culture and imperfect political structure in the initial stage, and the wide gap between the social achievements and the people's increasing cultural and material needs, demands for freedom and equality, and eagerness to take part in political activities, such a gap constitutes the objective basis giving rise to discontent among the people. When the gap reaches an intolerable extent in a certain aspect it will give rise to extensive social tension. Third, in the course of modernization the initial stage is faced with a series of changes including: ideological emancipation, cultural transformation, political democratization, social mobility, state industrialization, and the commercialization, socialization, and modernization of production; the challenges of the new world technological revolution and the new trends in capitalist development; and the stern mission of extricating itself from "Stalinist model" socialism and carrying out deepgoing structural reform. These "complications" which have arisen with the times are profoundly transforming and shaking society as a whole. A slight carelessness in this regard will throw reform into the whirlpool of turbulence.

Because the possibility of overall turbulence does not exist in the initial stage, because of the numerous unstable factors, and because the party and government do not have sufficient experience, the mistakes of "magnifying the scope of class struggle" and "premature advance" occurred frequently. As a result political stability in the initial stage lacked political and economic support and could not bear the great impact. Moreover, it was also difficult for the regulation and control structure of the political system to make correct policy decisions. In view of this we should particularly treasure the stable situation in the initial stage.

The socialist nature of the political stability development objective in the initial stage determines its objective value, and also conditions the basic ways or means for us to reach or maintain stability. In the political development of human society there is political stability maintained by violence and autocracy which is against the people and social development. In the developing

countries of the Third World there are also countries or regions which have initially realized modernization through controlled political stability. Even in the socialist countries they paid a huge cost in democratic politics for industrialization during the Stalin era. In the world today, where competition between the two systems is changing toward the sphere of democratic politics, the socialist countries should draw a lesson from the past, take their own road, and appropriately handle the relations between political stability and democratic politics. This is the basic starting point for us to handle problems. We should regard political stability as the premise of democratic politics and never allow any impractical "democratic" development to undermine its position. We should also regard democratic politics as the means of political regulation and control ensuring a high degree of unity between the objective and the means of political stability. It is an essential requirement of a socialist country's political stability, and an objective reflection of the inherent unity of stability and development in the initial stage, to understand democratic politics as the means of: political regulation and control; combining the modernization process with political stability and democratic politics; and of maintaining the necessary political stability required by modernization through unclogged, open, and elastic democratic regulation and control. Viewed from the essential factors of political activities, state or political structure stability depends on whether the political structure and the main body of regulation and control, namely the ruling party and government, can provide institutional channels for individuals, groups, and new emerging forces to participate in political affairs. If these channels can be provided, we can promptly combine the political demands and forces mobilized in social development into vital and supportive forces of the political structure and increase people's confidence in taking part in political affairs through normal channels which will be conducive to orderly and steady political participation. Conversely, if we cannot absorb participation or if such absorption has not yet been institutionalized, the people will suspect normal political participation. When a certain form of social tension or discontent arises it will find other ways to express itself and these may even become political practices against the political structure. Hence it is necessary to offer institutionalized participation channels, effectively organize and make use of the participation requirements of the masses through democratic regulation and control, and transform them into political vitality.

In political stability in the initial stage we must uphold the four cardinal principles and adhere to reform and opening up. The four cardinal principles have highly summarized the essential contents and fundamental characteristics of China's socialist political system. Without them the socialist political system will disintegrate and political stability will then be out of the question. Because of changes due to the times, the social environment, and development during the initial stage

and because the contradiction between socialist production relations which basically correspond to the superstructure and those which partially do not correspond, it is impossible to genuinely uphold the four cardinal principles with rigid viewpoints. Only by continuously carrying out reform of the socialist political structure can we enrich the contents of the four cardinal principles and meet the ongoing changes caused by the times, the social environment, and the political structure. Rejection of the changes or an inability to adapt to the transformation will also endanger the developing-type political stability in the initial stage.

#### Article on Reform of Personnel System

OW1708130088 Beijing DANG JIAN in Chinese  
No 5, 5 Apr 88 pp 19-24

[Article by Liu Junlin, director of the Research Office under the Organization Department of the CPC Central Committee: "Implement the Guidelines of the 13th Party Congress To Give Impetus to the Reform of the Cadre Personnel System"]

[Text] In his report to the 13th party congress, Comrade Zhao Ziyang comprehensively discussed the principles and tasks of political restructuring and clearly set the short- and long-term goals to be achieved in this regard. Reforming the cadre personnel system is one such important goal. Here I would like to discuss my personal experiences and my views regarding this matter.

#### An Accurate Appraisal of the Current Situation in the Reform of the Cadre Personnel System [subhead]

Since the 3d Plenary Session of the CPC 11th Central Committee, the cadre personnel system in our country has been reformed in many aspects. In some areas breakthroughs have been made and useful experiences gained. As far as the whole country is concerned, there are 10 such areas:

1. The laying down and implementation of the principles of cadres becoming more revolutionary, younger in average age, better educated, and more professionally competent has brought about gratifying changes among cadres, especially in leading bodies. Noticeable changes have taken place in the age, educational, and professional structures of cadres. More than 500,000 young and middle-aged cadres have taken leading positions at and above the county or departmental level, and over 2.7 million old cadres have retired, thus basically normalizing the succession of the new to the old.

2. A rather big breakthrough has been made in abolishing the system of lifelong tenure for leading cadres. This can be seen mainly in three aspects: A) A cadre retirement system has been instituted in the party Central Committee and the State Council; B) marked achievements have been made in readjusting jobs for incompetent cadres

since 1986, especially since 1987; and C) a system under which one's tenure of office is for a specified period of time is applied to more positions in some localities and departments.

3. In reforming the cadre personnel management system and delegating authority for cadre management to lower levels, a unit now basically manages its own cadre personnel and those of the units directly under it, while lower level leaders and units are given certain authority to employ people. Enterprises and factory directors in particular now have more authority than before in employment.

4. Reform has also been carried out in the form of employment, and it is beginning to break free from the only pattern of employment previously used—appointment. A system of engaging cadres is now generally instituted in towns and townships. Many localities advertise for leading cadres. A system of engaging scientific and technological cadres with professional or technical contracts has been instituted. Many institutions elect leading cadres in a democratic way.

5. A personal responsibility system has been instituted to a considerable extent. In some localities, this system has been developed into a system under which one assumes responsibility for achieving certain goals during one's tenure of office.

6. A good beginning has been made in performing in a democratic way personnel work related to cadres. In selecting cadres, they are recommended in a democratic way in many localities. Then, cadres are selected according to democratic recommendations. Leading cadres are discussed and appraised in a democratic way. Incompetent cadres' jobs are readjusted according to public opinion polls. All this shows that we have begun to get rid of the mysterious and handicraft-style of management regarding cadre personnel.

7. In many localities, good results have been achieved in openly recruiting, examining, and employing cadres. In this connection, the state now does not assign jobs to the graduates of some universities. Soldiers who are to be transferred to civilian work are given training prior to beginning the job.

8. Cadres now move to a considerable extent, promoting their healthy growth. In taking a new post, cadres practice a withdrawal system in some localities, on which people have commented favorably.

9. Cadre training has become regular, its scale larger, and its pace faster. Such training is increasingly job-oriented and profession-oriented.

10. A considerable contingent of reserve cadres of all categories and with good quality has been built up in the country.

Reforms over the past several years have provided us with some useful experiences. Overall, however, the reforms carried out in the above aspects have yet to meet the needs of economic and political restructuring. The main manifestations in this regard are: Most such reforms are experimental and exploratory and have yet to fall into a pattern; much less have they become unified standards for observance across the country. Such reforms are not quite coordinated due to a lack of overall planning. This is why it is rather difficult to carry out reform measures. More important, all such reforms have not yet touched the basic problems of the personnel management system, nor have they basically rid the system of its main defects.

Gaining a clear understanding of the current situation in the reform of the cadre personnel system is the first thing we should do in discussing the reform of the cadre personnel system. Only thus will we be able to clearly understand the goal and orientation of the reform and to adopt reform measures and methods.

#### The Orientation, Goal, and Basic Tasks of Reforming the Cadre Personnel System [subhead]

To explain this, we should first clearly understand what the main defects of the present cadre personnel system are. Only by ridding the cadre personnel system of its defects will we be able to carry out reform with a definite objective in view and hit the nail on the head. The report to the 13th CPC Party Congress gave a clear explanation about this matter. To sum up the explanation, cadres under the personnel management system are numerous—there are cadres of party and state organs, work personnel of mass organizations, managerial personnel of enterprises and institutions, and all categories of specialized and technical personnel are all managed as "state cadres." The power of cadre management is overconcentrated. All state cadres are managed in a unified way by party committees at various levels, and there is no separation between the functions of the party and those of the government and between the functions of the government and those of an enterprise. Control is too rigid and excessive, and the management methods are simplistic. Thus, the different work characteristics, social responsibilities, and professional features of different categories of personnel are ignored. The methods for the management of party and government cadres are basically used to manage all categories of personnel. The management system is flawed, and there are no laws governing the way personnel are used. Because of such defects, it is difficult for outstanding people to display their talents and it is also difficult to get rid of mediocre and incompetent personnel and to rectify unhealthy trends in employment. This has seriously dampened the enthusiasm, initiative, and creativity of a large number of cadres.

In addition, we should understand the guiding ideology that must be followed in reforming the cadre personnel system. 1) It is imperative to uphold the four cardinal

principles; the general principles for carrying out reform, opening to the outside world, and invigorating the domestic economy; and party leadership over cadre work. 2) It is necessary to meet the needs of reforming the economic structure and developing a socialist commodity economy. 3) It is necessary to meet the requirements of the short-term and long-term goals of political restructuring, to separate the party from the government in the leadership system, to closely link personnel management with the use of personnel, and to establish a rational check and balance system between them. 4) It is necessary to gradually institute a vigorous cadre personnel system with various forms of management, to gradually make the system democratic and scientific, and to write it into law by proceeding from the actual conditions of our country and drawing on scientific methods of management from other countries. 5) It is necessary to implement the principles of stressing actual achievements and promoting competition, and democratic and open supervision, in order to create a favorable social environment for the use of outstanding people and for the display of their talents.

The orientation, goals, and basic tasks of reforming the cadre personnel system can be summed up as three breakthroughs: One is to change the unified, centralized management of cadres by instituting a scientific system of managing cadres according to different categories; the second is to institute a state system of public service with Chinese characteristics; and the third is to introduce competition into the cadre personnel system.

First is the issue of managing cadres according to different categories: Managing cadres according to different categories is essential to a comprehensive reform of the cadre personnel system. To achieve this purpose can be said to be a breakthrough in this reform.

#### 1. Why should cadres be managed according to different categories?

The necessity and significance of managing cadres according to different categories can be seen from the following aspects:

First, this is an objective requirement of economic restructuring which is independent of people's subjective will. As people know, the cadre system, which belongs to the superstructure, should serve the economic base. The cadre management system is an important part of the political structure and is closely related to the economic structure. For a long time, since the founding of the PRC, highly centralized and unified political and economic structures have been put into practice. As a result, the cadre management system has been unified and centralized. Under the historical conditions of the time, it was absolutely necessary to implement such a cadre management system. The system ensured the development of economic construction as well as social, cultural, and educational undertakings.

Since the 3d Plenary Session of the 11th CPC Central Committee, our country has entered a new period of historical development. As a socialist commodity economy is developing, it is urgently necessary to change the unified, centralized system of cadre management after giving greater decisionmaking power to enterprises and instituting the system of full responsibility for factory directors, college presidents, school principals, and institute directors. With the deepening of economic restructuring and the all-round development of political restructuring, we should radically change the unified, centralized cadre management system and institute a scientific system of managing cadres according to different categories.

Second, this is also an inevitable requirement of political restructuring. The essence of political restructuring is the reform of the leadership system and an important aspect of which is to distinguish party functions from those of the government and government functions from those of enterprises. Because of this, the cadre management system must reflect the principle of such distinctions.

Third, this is to meet the requirement of closely linking personnel administration with the management of other affairs and making them influence each other. In the past, we carried out a centralized and unified management system. As a result, personnel administration and the management of other affairs do not match each other. The system was not suited to the implementation of the leader's responsibility system and hindered allowing initiative to be displayed by various localities and departments in the utilization of personnel. Management according to different categories will be conducive to delegating the personnel administrative authority to lower levels and giving play to the initiative of those at lower levels in using personnel.

Fourth, management according to different categories also meets the requirement of replacing the single method of management with scientific management. It will facilitate the formulation of different management methods and systems for different personnel according to their characteristics and development processes, thus changing the practice of using the same method and following one mode to manage personnel in different categories. A favorable condition for scientific management will thus be created.

#### 2. How should management according to different categories be carried out?

To divide personnel into different categories, it is first necessary to clarify what principle should be followed in doing this. There are two different opinions: One is to classify the personnel horizontally according to their professional characteristics. The other opinion favors a vertical classification based on the nature and characteristics of the personnel's units and trades. In the horizontal classification according to the personnel's professional characteristics, those of the same profession in all

units and trades are put into the same category. If they are doing the same kind of job, they are in the same category regardless of which units they belong to. The so-called vertical classification based on the nature and characteristics of the personnel's units and trades puts personnel of different professions but belonging to the same trade into one category. For example, all those working in party organs are in the category of personnel of party organs, and all those working in enterprises fall under the category of personnel of enterprises. After repeated comparisons, the latter classification is believed to be better. Under this classification, there will be the following categories: Personnel of party organs, personnel of state administrative organs (or state public service personnel), personnel of state organs of power, personnel of state judicial organs, personnel of state procuratorial organs, personnel of enterprises, personnel of institutions (here institutions should be further classified into education, public health, scientific research, press and publications, cultural and art, and athletic institutions), personnel of mass organizations, and so forth.

To sum up, this method of classification may be described as vertical classification with horizontal coordination. For each category of personnel there should be a relatively independent management system. At the same time, however, there should be unified macro coordination among them. Methods to be adopted for such coordination include legal, administrative, and economic methods, among which the legal method should be used predominantly. In this method, regulations are established by the state for the management of various categories of personnel. In particular, unified regulations should be enacted by the state to govern such things as wage scales and the assignment of job titles. Certainly, management according to different categories will radically change the present centralized and unified management method, but it is by no means an arrangement allowing each to work in its own way.

Management according to different categories will, of course, involve the division of management power and the adjustment of management scopes. Now cadres are managed by party committees at various levels and the departments in which the cadres work. With the implementation of the system of management according to different categories, party committees will have to properly adjust their scope and power of cadre management. Some power should be delegated to lower levels and some should be transferred to the departments concerned. Party committees need only manage the most important cadres, leaving other cadres to be managed by the localities or departments concerned. Of course, specific rules should be worked out as to who are important cadres to be managed by party committees and who should be managed by the localities or departments concerned. Under the new system, there should be a corresponding change in the functions of the organization departments of party committees. Their functions should be changed from focusing on micromanagement to focusing on macromanagement. In the meantime,

they should strengthen their macroguidance in formulating principles, policies, and systems, conducting check-ups, and exercising supervision with respect to the work of cadre management.

Second is the problem concerning the establishment of a national public service system with Chinese characteristics.

The decision of the 13th National CPC Congress on establishing a national public service system has been well received at home. People think the idea is refreshing and are excited about it. This major decision, a fundamental reform of our country's cadre personnel system, is unprecedented both in our country and in any other socialist country. The correct understanding and steady promotion of the national public service system will surely have a major impact on the reform of the cadre personnel system.

I would like to say that Western capitalist countries and many developing countries established the system of public servants or civil officials long ago and have accumulated many good experiences. The national public service system, as a personnel management discipline, can be adopted by both capitalist countries and socialist countries. There is no reason why socialist countries cannot adopt the national public service system if capitalist countries have already adopted it. In addition, we can integrate China's conditions with the scientific methods of public service systems of the Western countries to establish a national public service system with Chinese characteristics. We do not need to borrow the whole idea from the West.

#### 1. The problem regarding the scope of public servants:

By public servants, we mean personnel of the state's administrative organs, or cadres at various levels of the government.

The scope of our public servants differs from those in Western countries. In the West, what with rivalries between political parties and keeping state functionaries "politically neutral," politically appointed officials above the level of ministers are not generally considered public functionaries. This is because these officials either assume or leave office together with the cabinet, or they keep or lose their posts depending on whether their party is in power or out of power. Some countries include politically appointed officers as state functionaries, but theirs are specially created posts. The laws on state functionaries are not binding on them. For them, the term state functionaries exists in name only. In most countries, judges and procurators do not count as state functionaries; some countries do include them as state functionaries, but theirs are specially created posts. There are two opinions in our country regarding the scope of public servants. The first calls for the inclusion of all cadres of state organs, that is, cadres of state power

organs, judicial organs, procuratorial organs, and administrative organs; the second calls for the initial inclusion of cadres of state administrative organs with cadres of state power organs, judicial organs, and procuratorial organs temporarily excluded. The second opinion has been adopted. This is because the nature of work in the people's congresses, courts, and procuratorates differs from that of the government. Judges are not suitable to be included as state functionaries. Moreover, it is difficult to use one management organization and method to unify management of all personnel in these four organs. Another reason is that our country's public service system is in an embryonic stage. We lack experience. Therefore, we should not enlarge the scope of the national public service system; otherwise, we will be faced with many problems. However, when the conditions are ripe, we will gradually enlarge the scope in the future.

2. The problem concerning the necessity and significance of establishing a national public service system:

The establishment of a national public service system in the state's administrative organs is not only necessary, but also of major significance.

First, the establishment of a national public service system will change the monopoly of the party committees which in the past were solely responsible for management of all cadres. It will make the structure of government personnel a relatively independent one. It will help achieve the goal of separating the party from the government in the management of cadres. The party committee, with its diminished role in the direct management of cadres in the government, will be less burdened with daily affairs. The party committee can then strengthen its macroguidance over cadre work and improve and strengthen the party's leadership over all cadre work.

Second, to establish the system of public service meets the objective requirement in setting up a highly efficient administrative command system. Comrade Xiaoping put forward in 1982 that efforts must be made to form a strong government work system from the State Council level to various local levels. In order to completely meet the requirements put forward by Comrade Xiaoping, there is a need to establish a cadre system which conforms with this requirement. A key issue in establishing this system is to ensure that the government functionaries are of fine quality and that they are able, efficient, and honest in performing all their official duties and to help them raise their work efficiency and effectively handle the administrative affairs of the state. The work efficiency of the government largely depends on the qualities of the government functionaries. In the meantime, we must have certain conditions in order to ensure the quality of the government functionaries. For example, those who wish to work for the government must take an examination. After entering government service, they must be assured of their job security and helped to

develop their professional skills and become experts in doing administrative work. In addition to problems in the system itself, we cannot but attribute the current phenomenon of disputing trifles and the prevailing dilatory style of work to the poor quality of the state functionaries.

Third, to establish the system of public service is conducive to training a large number of political activists and administrators who have both ability and political integrity. Administration is a branch of science. Therefore, we need a large number of people who have a good grasp of this branch of science to do administrative work. We will be able to successfully train groups of administrative experts by establishing a system of public service, ensuring that the job security of the public servants is relatively stable and organizing them to undergo training and broaden their knowledge. Being relatively stable as a public servant does not mean long-term stability at a particular post. It means that we must ensure that the state functionaries have relatively stable job security in doing administrative and managerial work instead of frequently changing their jobs.

Fourth, to establish the system of public service is an important step in working out different methods for managing cadres of different categories. In working out different methods, we must, first of all, separate the functionaries working for the administrative organs of the state from the rank and file cadres; form an unique system for managing public servants; work out, on the basis of the characteristics of this category of personnel, regulations governing the public servants who are different from those who work for party organs or industrial enterprises and undertakings; and manage them according to law and with a scientific approach.

Fifth, the establishment of the system of public service is a necessary measure to strengthen the legal system in managing personnel and cadres. It is easier to manage government cadres than those in other sectors of society. In addition, we have already laid a fairly good foundation for studying and formulating rules and regulations governing the public servants during the past few years, and therefore, we are able to come up with a regulatory document much more quickly.

3. On classifying public servants into different categories:

It is a common practice in various countries throughout the world to classify public servants into two categories: those handling political affairs and those doing professional work. This is determined by their different nature. Just like what was pointed out in the report to the 13th National CPC Congress, public servants in the political affairs category, whose tenure in office will be for a specific period of time, must be managed strictly in accordance with the relevant provisions of the Constitution and the Organic Law and be subjected to supervision by the public. Those who must be managed strictly

in accordance with the relevant provisions of the Constitution and the Organic Law are government functionaries who have been elected or appointed by the people's congress. Their positions are fairly high, and they have greater authority. Their tenure in office is limited, and they are subjected to supervision, impeachment, and recall by the people's congress. In this sense, they are different in nature from those doing professional work. We still need to further define the number of levels for the public servants handling political affairs. No matter to what level they belong, all public servants handling political affairs should be managed by party committees, and those doing professional work should be managed by the government itself.

Operational public functionaries should be further classified into three categories, namely administrative, specialized and technical, and routine types of public functionaries. Administrative public functionaries means those who occupy administrative positions. Specialized and technical public functionaries means those who perform purely technical duties. Routine public functionaries means those who perform logistical work for various organizations. We have to classify operational public functionaries into three categories because their employment methods, ways of promotion, and qualifications are all different. For instance, in employing administrative public functionaries, it is necessary to openly examine applications through tests. In employing technical public functionaries, applicants should be selected from among those who possess qualification certificates for their specialization and be examined for their professional skill and political consciousness. The administrative type of public functionaries must have received education at the college or equivalent level, while routine public functionaries need only have education at the senior middle school level. In addition, the ways of promotion are also different for different types of public functionaries. In general, routine public functionaries can only be promoted in their own line of duties and cannot be promoted to administrative positions to assume leading tasks without going through tests and evaluations. The classification of operational public functionaries can facilitate the formulation of different management and control methods and is also conducive to implementing scientific job classification in the future.

4. Regarding the main contents of the national public service system, the most important contents are as follows:

First, we must implement the system of open examination and select the best qualified applicants. This is not only an important condition to ensure the quality of state public functionaries, but also an effective way to eliminate unhealthy practices in recruiting people. Following the establishment of the national public service system, open examinations should be conducted in society. Only the best candidates should be selected. In this way, we can thoroughly eliminate such things as hiring

people within a unit or system, having children take their parents' places, employing people according to the written instructions of an authoritative person, or entering a unit through the back door. Are we going to introduce the competitive system into the cadres' personnel system? The introduction of open testing and evaluation is the best way to implement the competitive system. A person's qualifications, good or bad, will be clearly seen in the test scores. Of course, evaluations should be added to tests. Those who can pass an examination should also be checked for moral character and capability. Only those who are relatively outstanding in all aspects should be recruited. The results of tests should be publicly announced to let the masses and applicants know. This is a principal content of the national public service system.

Second, it is necessary to establish a scientific job classification system. The job classification system is the foundation for scientific personnel management. Job classification means to classify various types of jobs according to their job nature, degree of difficulty, extent of responsibility, and qualifications in different categories. Grades for various positions can then be formulated according to the classification. They will be the basis for personnel administration work, including examination, promotion, demotion, wages, rewards, and punishment of public functionaries. Job classification is a very complicated thing and must be perfected through a course from general to specific and from simple to complicated stipulations. According to the situation in our country, we should correctly understand the scope, flexibility, and specialization of jobs, requirements for all-round development, fixed number of positions, and flow of personnel in order to establish a standard job classification system which is not too complicated and which is suited to China's situation.

Third, it is necessary to be strict in evaluating and meting out rewards and punishments for public functionaries according to legal standards and procedures. Evaluations and rewards and punishments are important means to correctly assess, reasonably use, check and supervise, and mete out rewards and punishments for public functionaries. We must improve the past loose, unscientific, and backward system and truly be strict and fair in meting out rewards and punishments. In the course of reform, we have made some achievements in the work of evaluation in past several years. We will sum up our experiences in this respect. Following the establishment of the national public service system, we must continue to explore better procedures for evaluating public functionaries. In Western countries, evaluation is mainly done by the head of a unit. Each person will be evaluated by his immediate superior at various levels. In our country, evaluation still cannot be done solely by the head of each unit. We will have to study additional methods, including evaluation and discussion through a democratic process.

Fourth, let us institute a promotion system based on merits and achievements. Promotion should be based on

merits and achievements. Sometimes the following contrasting phenomena exist in our present system of promoting cadres: Those who have made greater contributions are not promoted, while those who have no merits or whose merits are ordinary ones are promoted. Why? It is either because subjective will is dominant and there is no objective criterion, or because objective criteria are ignored. Since a person's official career achievements cannot determine his promotion, shall we encourage people to make more contributions or encourage them to seek connections, go through the back door, and curry favor with the leadership? We must be resolved to institute a merits and achievements promotion system to award those who have made contributions and to remove those who have made none. With such a system, mediocre people who have been occupying a position for a long time without making contributions will no longer be able to muddle along.

Fifth, let us institute a regular training system. The Central Committee has decided to establish a state administrative school and a number of local administrative schools to train and bring up competent state functionaries. Administrative schools have to fulfill two tasks: The first is to train on-the-job functionaries on a rotational basis, and the second is to train and bring up new state functionaries. It is very necessary to have administrative schools to train administrators. This may be a breakthrough for our current cadre training system. In our administration of cadres there has been no separation of party and government functions. The same situation exists in the training of cadres. The situation must be changed.

Sixth, let us establish a wage and welfare system commensurate with state functionaries' positions and roles. Since high demands have been set on the quality of state functionaries and since they are required to shoulder heavy responsibilities, their wages and welfare benefits should be commensurate with their position and role. In short, their wages and welfare benefits should be increased, but not exceed the level of those who work in the enterprises. Without increasing the wages and welfare benefits of state functionaries, it is hard to attract talented, competent people to work in government organs. This cannot be solved quickly in our country. It can be solved gradually with the deepening of reform and the development of the economy. However, we should make it clear that we are going to achieve this goal.

#### 5. Principal measures for implementing a national public service system:

First, it is necessary to draft a national law governing public servants, in accordance with which state functionaries will be administered. As we lack experience in drafting a national law governing public servants, we can, at the beginning, draw up regulations on public servants. The regulations should be implemented on a trial basis after they are promulgated by the State Council. After a few years of experience, the regulations

should be improved through revision, changed into a national law governing public servants, and put into effect after adoption by the NPC. Without a law or regulations by which to administer public servants, any system, no matter how good it is, cannot be realized. Therefore, as soon as the public service system is put into effect in our country, public servants must be strictly administered according to law. Once public servants are well administered according to law, this experience itself will serve as a model for the administration of other types of personnel in the country.

Second, we must establish organs for administering public servants or state functionaries. In order to put into effect a national public service system and improve the government's personnel administration, it is necessary to establish a national ministry of personnel and organs of personnel administration of governments at various levels. In this way, personnel administration can be carried out in accordance with relevant laws and regulations.

Third, we must establish both national and local schools of administration.

These three major measures will ensure the implementation of a national public service system. Without these measures it is hard to put such a system into effect, no matter how good it is. Of course, it will take years of efforts to establish and improve such a system in China. So long as we begin our work with a good start, we will be able, after several years of efforts, to establish a public service system with Chinese characteristics.

Fourth, we must introduce the competition mechanism into the personnel system.

Comrade Ziyang has repeatedly called for introducing the competition mechanism into the personnel system of enterprises. He regards this as a revolution. Its significance should not be underestimated.

1. It helps overcome the phenomena of overemphasizing seniority and restricting and wasting talented people and enables people to show their abilities amid competition. Comrade Xiaoping has said several times that it is necessary to create an environment in which outstanding people can show their abilities. What kind of environment is this? It is mainly an environment of equal competition. Without an environment of equal competition, we will be unable to eliminate the long-standing malpractices of "overemphasizing seniority" and appointing people by favoritism or friendship. Since last year, some localities have introduced the competition mechanism into enterprises, contracted enterprise operations out to those who win in open bidding, and hired personnel at various levels. As a result, seniority is no longer overemphasized, the iron rice bowl has become breakable, the life tenure system has been abolished, job

performance has begun to count, the barrier between cadres and workers has been broken, and a revolutionary change has indeed taken place in the personnel system.

2. It helps overcome such unhealthy tendencies as establishing a relationship with someone influential or using the back door to get a job, or issuing arbitrary instructions on personnel appointment; helps select the best candidates for job openings with a principle of openness and equality; and helps create good standards of social conduct. This is the way colleges recruit students. If we recruit cadres the same way, it will help bring about a turn for the better in the standards of social conduct.

3. It helps change the situation in which personnel are owned by a department or an organization, reduces the degree of personal attachment, promotes rational personnel transfer, and enables people of various specialties to display their talents and abilities at suitable posts. In this way, our personnel system will be like running water and have vitality and vigor.

4. It helps change the situation of everybody having a lifelong job and eating from the same big pot; truly keeps the good people and eliminates the bad ones; ensures that cadres can be promoted, demoted, or transferred; abolishes the life tenure system for cadres in either leading posts or ordinary posts so that they are constantly under internal and an external pressure and are encouraged to work hard and keep forging ahead; disqualifies those who "attempt nothing" and "achieve nothing"; and makes everyone vie to keep forging ahead, contributing, and seeking growth and development amid competition. Only in this way can we create a new situation in which talented people come forth in large numbers.

It should be universal and without exception to introduce the competition mechanism into the personnel system related to cadres. We should not think that competition can exist only in the commodity market but not in personnel management; nor should we think that competition can exist only among certain groups of people but not among other groups of people. First, the competition mechanism is, in principle, applicable to all personnel. Second, for different personnel, different levels, and different trades and professions, the extent, scope, forms, and methods of competition should be different, not invariable. Open examinations to select the best job applicants is applicable to personnel of all categories and to all organizations, including the party organs, government organs, courts, procuratorial organs, enterprises, and institutions. Enterprises may hire employees, but generally speaking, it is not advisable for state organs to hire state functionaries, nor is it advisable for party organs to hire their personnel. Institutions may hire specialized and technical personnel. Under certain conditions, they may also hire and fire personnel of other

categories. Some scientific research institutes, small hospitals and small theatrical troupes may practice a contract system, lease system, hiring system, or free assembly.

To introduce the competition mechanism, we must have a social regulatory mechanism in place and allow "two-way" choices, that is, the employing unit has the right to choose whom to hire and fire, while the individual has the right to choose which unit to work and to resign. There should be, within a certain scope and extent, a personnel market. Both the state and society should play a role over personnel administration.

#### Measures, Steps, and Conditions for Reforming the Personnel System Related to Cadres [subhead]

1. Reform of the personnel system related to cadres is restricted to a considerably large extent by the progress of economic and political restructuring. It can neither overstep it nor lag behind. Personnel system reform must closely follow and keep in step with economic and political restructuring. We must not be impatient nor lag behind.

2. The speed of reforming the personnel system depends on to what extent the principal objective conditions are ripe. For example, to implement the management system of establishing a number of categories, we must first straighten out the relationship between party and government organs, have a general plan for organizational reform, set up government personnel departments, and formulate basic regulations governing various categories of personnel. For another example, to implement a public service system, we must first decide on the size of government organs and the number of their personnel, clearly define their functions, establish personnel departments and administration schools, and promulgate "Regulations Governing State Public Servants." There must also be some measures for turning the existing government functionaries into public servants. We cannot resort to such simplistic measures as turning them all into public servants; instead we should adopt necessary interim measures. The measures adopted should also be based on reality. It is not proper to hold a general, open examination, nor just simplistically reappoint them all.

3. There must be an overall program covering the whole process of reform, complete with support measures, to be carried out in an orderly way and step by step. This reform must be implemented from top to bottom and in a well-guided, planned, and systematic manner. Some of the measures should be tried out in selected areas in order to gain experience and make improvements. It is essential to implement the reform in an orderly way and avoid rushing headlong or seeking rigid uniformity.

4. We must have a clear understanding of the situation, change our concepts, seize the opportunity, and constantly, persistently, and systematically deepen reform of the personnel system related to cadres. We must have a

sense of urgency as the situation is spurring on us and time is running out. As the whole nation is carrying out reform and putting reform at the center of all undertakings, organizational departments must speed up their pace of reform. Comrades in the organizational departments, including those in the personnel departments, must further emancipate their minds, change their concepts, and actively but cautiously promote reform.

5. We must have a correct understanding of the objective situation and firm up our confidence in reform. As we all know, reform of the economic structure in being constantly deepened and reform of the political structure has already begun. In particular, the general pattern for separating party functions from those of the government and separating government functions from those of enterprises have become clear and the plan for reforming central state organs has been drawn up and is expected to be finalized. There is a great deal of useful experience to be drawn on for personnel system reform. The orientation and goal of reform have been clearly defined, the party's and society's capacity to endure reform has been greatly enhanced, and the historical trend of reform has become irreversible. All these represent a favorable situation for speeding up reform of the personnel system related to cadres. It should be pointed out that the overall situation and environment are good. The objective conditions for comprehensively implementing the personnel system related to cadres are in place. So long as we change our concepts, make careful plans and a correct assessment of the situation, seize the opportunity, step up propaganda, and implement the reform in a well-guided, active, and planned manner, we will be able to overcome the difficulties, remove obstructions, and, by way of reform, develop a new personnel system related to cadres.

**XINHUA Criticizes Institutional Spending**  
*OW1908042888 Beijing XINHUA Domestic Service  
in Chinese 0012 GMT 18 Aug 88*

["Countries and Families Thrive by Thrift and Hard Work and Decline From Extravagant Living: Perspective on Continuous Increase of Institutional Spending"—by XINHUA reporters Wu Shishen and Ding Genxi and correspondent Zhao Maohong]

[Text] Beijing, 18 Aug (XINHUA)—The State Council issued an urgent circular last February demanding that this year's institutional spending [or institutional purchases, as in purchases made on the market for public use by government departments, mass organizations, army units, enterprises, and establishments] be reduced by 20 percent from last year's total. However, the latest information from the State Statistics Bureau indicates that institutional spending on consumer goods totals 36.83 billion yuan for the first 7 months of this year, a 19.8 percent increase over the same period last year. The

percentage of increase is almost the same as the percentage of decrease demanded by the State Council. Consumer goods purchased by institutions during the January-July period totaled 2.7 billion yuan more than the nation's expenditures on education and urban construction and maintenance!

This is truly shocking and alarming. It casts a great shadow on the economic life of our society.

#### The Sea of Consumption [subhead]

"You won't get credit for not eating, and you won't get billed for eating. Who cannot use a free lunch?" This doggerel may be a little bit too sarcastic, yet it reflects to a certain extent the social phenomena and attitude of spending public money on luxury and extravagance. Huge sums of public money are going down the drain in the pursuit of consumption.

The wind of eating and drinking is blowing strong. The scene of several or dozens of tables of people sitting indulging in extravagant eating and drinking can be found in every large or medium-sized restaurant. How many of those indulging in extravagant eating and drinking pay the bills from their own pockets? According to the State Statistics Bureau, between 60 and 70 percent of the business income of all large and medium-sized restaurants comes from institutional banquets paid for with public money. Many public organizations, establishments, and businesses throw parties under various names. The amount of money spent in "eating" by institutions is rapidly increasing every year. According to the statistics of Beijing Municipality, the amount of money spent in "eating" reached 170 million yuan in 1987, a 2.5-fold increase over 1984 or an annual increase of 51.8 percent. The frequency, scale, and class of parties are also escalating. Sources tell us that it costs from 500 to more than 1,000 yuan per table to throw a party with public money in Beijing, Wuhan, Fuzhou, and other cities. How much public money was spent annually nationwide on parties? Even the State Statistics Bureau cannot answer this question.

Seeking ease and comfort is becoming a social trend. One of the "remarkable changes" most notable in recent years about most units is their possession of more imported cars. It is no longer strange for a poverty-stricken county living on state financial subsidies to possess several crowns. According to the national office in charge of controlling institutional spending, institutional spending on cars and other high-grade durable consumer goods is still increasing. After the record year of 1985 the office approved the purchase of 38,000 cars, which still represents a 1.1-fold increase over 1982. A considerable number of cars were purchased without the approval of the office. Traveling in imported cars has become a symbol of status and wealth for some leading

cadres. Sales of such controlled merchandise as motorcycles, color televisions, air conditioners, sofas, and rugs are increasing by leaps and bounds. The number of video cameras purchased in 1987 showed a sharp increase of 12.6-fold from 1982.

The practice of distributing goods is becoming popular. As holidays and festivals approach, almost every institution, up to the nation's party and government organs and down to the grass-roots enterprises, begins to give out staple and nonstaple food items to its employees. Workers in Shandong Province were given 59 yuan worth of subsidies in kind during the last Spring Festival to enable them to "celebrate the new year on public money," according to a survey conducted there. Items they received were mostly commodities in short supply, such as chicken, ducks, fish, meat, brand name cigarettes, and liquor. In addition, creating various opportunities, such as holding summing up meetings, celebrations, order-placing meetings, and appraisal meetings to give out "souvenirs" has also become a common practice. According to the sources, quartz watches, electric cookers, suitcases, traveling bags, cosmetics, and bedsets are hot items purchased by institutions for use as "souvenirs." In addition, the category of goods distributed as "souvenirs" is expanding and the grades are going up as a result of competition among various institutions.

#### A Turbulent Undercurrent [subhead]

Control follows increase, and increase inevitably comes after control. There are many reasons for the increase of institutional spending, which make it impossible to control.

The messy account of proprietary funds: The proprietary funds of enterprises and establishments have markedly increased in recent years, yet there are no strict rules to manage them. A number of enterprises and establishments used the funds to increase workers' fringe benefits in violation of government policies. Some state organs established companies and centers and used their discretionary power over money and materials to increase their own wealth, using nonbudgeted funds from these sources to cover expenditures beyond the budgeted limit.

The increase in outlays caused by the establishment of new organizations and offices: Enterprises and establishments of all kinds have mushroomed in recent years, resulting in the purchase of required office equipment and stationery. According to banking statistics, the nation's administrative and business management expenditures increased at an annual rate of 26 percent between 1982 and 1987 with a total expenditure of 53 billion yuan.

Loopholes in the system of control over institutional spending: Relaxed efforts by relevant government departments, the lack of effective measures, and the pursuit of profits by stores have contributed to the loss of control over institutional spending. As a result, large

quantities of controlled commodities were purchased without the approval of the national office through the collaboration of buyers and sellers, who issued false invoices to avoid financial supervision. Culprits are merely reprimanded when acts of violation in this nature are discovered.

We do not deny that the rise of commodity prices is reflected in the increase in institutional spending. However, after the deduction of the commodity price factor, the actual rate of increase is still too high. The key problem may be in the mental state of some of our leading organs and cadres, who lack a strong sense of building up the country through thrift and hard work and who tend to go in for ostentation, extravagance, and comfort. Because of this, they often lack strong determination to adopt effective measures and implement them forcefully to control institutional spending. As a result, public money went down the drain like water despite various controls.

#### Watch for the Breach! [subhead]

Figures provided by the State Statistics Bureau show that the purchase of consumer goods by institutions increased at an annual rate of 19.7 percent from 1982 to 1987, much higher than the growth rate of light industry and national income. The rapid increase of institutional spending has become a prominent problem affecting the normal operation of the national economy. Some people describe the problem as a breach through which flood water is attacking the reform. The threat is becoming greater and greater.

The competition with ordinary citizens for scarce commodities has caused higher prices, which is the direct result of increased institutional spending. Figures show that the amount of money spent on consumer goods by urban and rural institutions from 1985 to 1987 totals 75.2 billion yuan, accounting for more than 50 percent of the shortages experienced in the 3-year period. Because a considerable amount of commodities in short supply were purchased by the financially stronger institutions, ordinary citizens were unable to purchase what they wanted. The contradiction between supply and demand thus become more acute, resulting in further price increase.

The wasteful practice of seeking luxury and extravagance and displaying wealth has created an environment for corruption, bribery, and speculation in our society. The high-consumption pattern of institutions also encourages citizens to compete with each other and spend beyond their means. The unhealthy practice prevailing in society then pushes up institutional spending, thus completing a tremendous, vicious cycle.

What cannot be ignored is that the rapid increase of institutional spending has tarnished and undermined the reputation of reform and is threatening to destroy the integrity of our party and government organs.

Much concern has been expressed over the increase in institutional spending. Reducing institutional spending and firmly curbing all wasteful and extravagant practices has been a longstanding call. It is true that the complete cure of this chronic illness depends on the establishment of a new order of socialist commodity economy. However, it is urgent now to adopt effective measures such as taxation, pricing, fines, and administrative action and supervision to curb the high consumption of institutions. "Countries and Families Thrive by Thrift and Hard Work and Decline as a Result of Extravagant Living." The prudent teaching of our predecessors is still of profound significance today.

**Central Bank To Tighten Monetary Policy**  
*HK1808115788 Beijing CEI Database in English*  
18 Aug 88

[Text] Beijing (CEI)—Measures will be adopted to further control money supply and readjust the structure of loans to achieve a healthy economic development and prevent galloping inflation.

The State Council this month approved a report from the People's Bank of China (PBC) on controlling currency and stabilizing finance.

The State Council's announcement on the implementation of the report says that while satisfying the demands of farm and sideline production, and major construction projects for funds, the PBC will stop granting loans to enterprises suffering from poor product quality and low economic results. These enterprises include small cotton mills, cigarette factories and oil refineries which compete for raw materials with major enterprises.

The PBC will deny loans to construction projects which are not listed in the state plan, especially those non-productive projects. The consumption funds of social organizations should be controlled. Local governments and departments concerned are asked to increase production, clear up stocks, increase sales and withdraw cash from circulation.

The State Council reiterated in the announcement that financial institutions will not be allowed to start business without permission from the PBC.

According to the report, in the first six months of this year, China put too much money into circulation, provided too many loans and suffered from slow bank deposit increases.

The sum of loans provided by the PBC in the first six months amounted to 55.6 billion yuan, an increase of 43.6 billion yuan or 24 percent, compared with the same period of last year. The sum of cash put into circulation totalled 19.1 billion yuan in the first six months of this year, 22.8 billion yuan more than in the same period of

last year. The total sum of money in circulation in the market hit 164.5 billion yuan, an increase of 39 percent, surpassing the country's economic growth and price rise rates.

According to the report, the excessive money supply was a result of the rapid growth of industrial and agricultural production and a big increase in state revenue and exports. But the excessive increase of loans and the rise of purchasing prices for farm products were also two important factors. The price rises caused instability in the market, more people drew money from the bank and less were willing to deposit their savings.

**To Curtail Consumption Funds**  
*OW1808143688 Beijing XINHUA Domestic Service*  
in Chinese 0134 GMT 18 Aug 88

[By reporter Ding Jianming]

[Text] Beijing, 18 Aug (XINHUA)—The People's Bank of China will take measures to strictly control the excessive demand for consumption funds in view of the fact that demand has created tremendous pressure on money supply.

It is reported that money supply during the first 7 months this year reached 18.3 billion yuan whereas only 4.4 billion yuan was withdrawn from circulation during the same period last year, meaning that money supply during the 7-month period this year actually increased by 22.7 billion yuan over the same period last year. In addition to the normal demand of money for developing industrial and agricultural production; paying higher prices for agricultural goods and nonstaple foodstuff; and purchasing gold, silver, and foreign exchange, the excessive growth of money supply, according to the People's Bank of China, can primarily be attributed to the drastic increase of consumption funds, especially the rapid increase of social groups' consumption funds. Compared with the first 6 months of 1987, the nation's expenses for wages and other expenditures during the same period this year increased 23.7 percent, while administrative budgets and expenses for enterprise management increased 46.5 percent. Expenditures for these two categories again increased 29.8 percent and 60 percent in July and are still rising. Unless remedial measures are taken, pressure on this year's money supply will certainly increase.

To curtail the excessive growth of consumption funds, the People's Bank of China has urged banks in all localities to tighten the management of cash for enterprises and institutions, stressing that they should stop payment to corporations, enterprises, and enterprises which grant more price subsidies than the State Council has prescribed, or which allot consumption funds in violation of state regulations. It adds that banks have the right to turn down payment to any unit which withdraws cash in violation of regulations governing the use of cash.

**Deng, Zhao, Other Leaders Meet Educators**  
*OW1808195188 Beijing XINHUA Domestic Service*  
*in Chinese 1104 GMT 18 Aug 88*

[By reporter Cong Yaping]

[Text] Beidaihe, 18 Aug (XINHUA)—Leading Comrades Zhao Ziyang, Deng Xiaoping, Yang Shangkun, Li Peng, Wan Li, Hu Qili, Li Tieying, Bo Yibo, Nei Xingwen, and Wen Jiabao cordially met and had a group photo taken with the presidents and party secretaries of China's 109 institutions of higher education and the responsible comrades of some departments concerned at Beidaihe's scenic Xishan this morning. The comrades from those schools are the delegates attending the "1988 Summer Conference of Institutions of Higher Education."

Comrade Deng Xiaoping was well tanned and physically strong while Zhao Ziyang, Yang Shangkun, and Li Peng were energetic and joyful. When they stepped into the meeting hall, the delegates greeted them with a long and warm applause. The party and state leaders also clapped their hands and cordially shook hands with those educators to express their expectations and respects.

The ongoing summer conference of institutions of higher education will study the next step of educational development and college administration to strengthen the educational reform and make education meet even more the needs of the socialist commodity economy and social development.

**Councillor Li Tieying on Disease Prevention**  
*OW1808222088 Beijing XINHUA in English*  
*1403 GMT 18 Aug 88*

[Text] Beijing, August 18 (XINHUA)—Big efforts are needed to control intestinal infectious diseases in some areas and step up disease prevention in the country, State Councillor Li Tieying said today.

Li, head of the Central Patriotic Public Health Campaign Committee, said, "Governments at all levels should pay adequate attention to infectious disease prevention as the circulation of commodities and residents is now on the rise in the country."

To protect rural people from being infected by intestinal diseases, local governments in rural areas should make every effort to provide clean drinking water for all rural residents as soon as possible, Li said at a meeting on disease prevention held in Beidaihe.

At the meeting, Li called on officials from a number of ministries to organize joint efforts to improve sanitation in both urban and rural areas.

**Better Mechanization, Armor Needed for PLA**  
*OW1908110488 Beijing XINHUA in English*  
*1005 GMT 19 Aug 88*

["Paper Stresses Mechanization, Armor for PLA"—XINHUA headline]

[Text] Beijing, August 19 (XINHUA)—The Chinese Army should be better mechanized and armored as it strives for modernization, said a signed article in today's "LIBERATION ARMY DAILY".

The article by Tie Jun said that this meant equipping combat troops with armored cars, tanks and armored personnel carriers, as well as armored self-propelled weapons.

Not only infantry but artillery, engineering troops, air defense forces and antichemical warfare corps should also develop in this direction, it said.

This was one of a series of articles recently carried by the Beijing-based paper to discuss the orientation for the modernization of the People's Liberation Army (PLA).

Today's article differs from some previous ones in that the latter tended to ignore the importance of ground forces, saying, "crawling on the ground will soon become history" and "future battlefields will be dominated by helicopters".

Tie Jun admitted that the development and widespread use of helicopters since the 1970's have filled a gap in firepower at low altitudes and have improved battlefield command posture.

But, he said, helicopters have limitations and it is lopsided to emphasize them at a time when modern warfare tends to be more and more three-dimensional with the combined use of various types of combat units.

Many people predict that warfare around the year 2000 will be dominated by high technology, Tie Jun said, adding that he believes, however, that even then the major weapons will continue to be airplanes, tanks and cannons, and the major force on ground will still be mechanized and armored troops.

Modernization of combined units will be more advantageous than the development of any single weapon and the latest scientific findings can be applied to mechanized and armored equipment to produce such weapons as "intelligent" and extra-light tanks.

"We have lost a lot of precious time," the article said. "If we fail to take advantage of favorable conditions at present, put through major changes in various fields and improve substantially the Army's professionalism, the gap between China and the world's military powers is likely to further widen."

However, as China has very limited military expenditure, the article called for better use of existing equipment.

While developing new models of tanks and armored vehicles, renovation of existing equipment should be carried out with advanced science and technology, it said.

Meanwhile, it added, theoretical research and the training of military scientists should be enhanced so as to prepare for the overall mechanization of the PLA.

Efforts should also be devoted to solving problems in coordination between various army units, it stressed.

**Conference Calls Tax Evasion 'Huge' Problem**  
*OW1908093888 Beijing XINHUA in English*  
0637 GMT 19 Aug 88

["Tax Evasion Is Huge, at Times Violent, Problem in China"—XINHUA headline]

[Text] Changchun, August 19 (XINHUA)—Half of China's state- and collective-run enterprises and 80 percent of all individual businesses evade paying taxes, a national working conference on tax evasion was told Thursday.

The practice is so common that the fight against tax crimes has become an important task for procuratorates and tax bureaus of all levels, Deputy Chief Procurator of the country's Supreme Procuratorate Zhang Siqing said.

In the past two years, more than 5,000 violent cases have occurred and some tax officials have been killed or crippled.

Jin Xin, director of the State Tax Bureau, blamed the situation on what he called "the weak law sense of taxpayers."

Some taxpayers do not see their implied duty to pay taxes while some tax institutions and officials levy, reduce or exempt taxation simply at will.

The situation does not only reduce the state's income, but also hinders the national economy from growing and people's living standards from improving, Jin said.

**Tax Law Enforcement Urged**  
*OW1908083588 Beijing XINHUA Domestic Service*  
in Chinese 1515 GMT 18 Aug 88

[By reporter Chen Guangjun]

[Text] Changchun, 18 Aug (XINHUA)—Speaking at a national conference on investigation and prosecution of tax evasion, Zhang Siqing, deputy procurator general of the Supreme People's Court, said: It is a major task for taxation and procuratorial organs to struggle against acts

violating tax laws and regulations, to firmly investigate and deal with the criminal activities of tax evasion and refusing to pay taxes in defiance of the laws, and to maintain the implementation of tax laws.

It is reported that tax evasion is relatively common. According to investigations by taxation departments, tax evasion cases are found in about 50 percent of the state- and collective-owned enterprises and about 80 percent of households doing their own business. Failure to promptly collect and deposit taxes due to the State Treasury will not only affect state revenues but also have a negative impact on our economic development and improvement of the people's living standards.

Analyzing the serious problem of tax evasion, Jin Xin, director of the General Taxation Bureau, said: The chief reason is that the legal concept of taxation has yet to be formed in our society and taxpayers have not fostered a sense of observing the tax law on their own initiative, nor do they have the habit of paying taxes. Moreover, in some localities, there are still instances of the use of official power or words to supersede the law. In a few localities the leading organs have collected, reduced, or exempted taxes on their own initiative. This has continued to increase the loss of revenue due to tax reduction and exemption and seriously interfered with enforcement of the unified tax laws promulgated by the state. [passage indistinct]

In view of the above state of affairs, the conference stressed that procuratorial organs at all levels should [words indistinct] seriously strike at those criminal activities that undermine economic growth and the order of reform, so as to safeguard the development of productive forces and establishment of a new order on the basis of the socialist commodity economy. Efforts should be focused on combatting serious criminal tax-evasion cases involving large amounts of taxes, as well as those vile tax-refusal cases that can produce a considerable influence on others. As for serious tax-evasion cases among state- and collective-owned units involving large amounts, the persons directly responsible for the cases should be investigated according to law.

The conference opened on 13 August in Changchun under the co-sponsorship of the Supreme People's Procuratorate and the General Taxation Bureau.

**Strengthening Enterprise Management Stressed**  
*HK1808140388 Beijing RENMIN RIBAO*  
in Chinese 15 Aug 88 p 5

[Article by Zhou Shulian (0719 0647 5571) and Chen Jiagui (7115 0163 6311): "It Is Imperative To Strengthen Enterprise Management in Perfecting the Contract System"]

[Text] With the implementation of the contract system in China's many enterprises, the contradiction between the backwardness in enterprise management and the requirements of task fulfillment is on the horizon. To resolve it, it is imperative to strengthen and improve enterprise management.

The implementation of the contract responsibility system with management in enterprises aims to form a new managerial mechanism suitable to commodity economy development, including the motive force mechanism, decisionmaking mechanism, information mechanism, and accumulation mechanism, and so on. However, the formation of such a new managerial mechanism is determined not only by reform, but also management. The enterprise managerial mechanism is determined not only by the enterprise's external relationships, including that between it and the state, between it and the market, and so on and so forth, but also by the enterprise's internal relationships, including various administrative institutions and methods. The formation of the enterprise's new motive force mechanism involves an explicit relationship between the state and enterprise in responsibility, power, and interest, and the change of the enterprise, which was not the major aspect of interest under the traditional structure, into one assuming sole responsibility for its profits and losses. These are the problems that need to be solved in the implementation of the contract system in enterprises. Besides, it is also necessary to strengthen the administration of production and distribution inside enterprises, to break down and to implement the contracted tasks at every layer, in addition to setting up all kinds of necessary responsibility institutions. The formation of a new enterprise decisionmaking mechanism involves implementing the principle of separating ownership and managerial rights, and changing the confusion of government and enterprise functions as carried out under the traditional structure. These changes would guarantee the enterprise's independent management. Besides, it is also necessary to implement the system of overall leadership by the factory director, to make explicit the place and role of enterprise party organization, and to further make complete and perfect the institution of workers' congresses and all kinds of democratic administrative systems.

With the implementation of the contract system in enterprises, enterprise management should center around setting up and strengthening enterprise's internal economic responsibility system. At present it is especially important to pay attention to managerial work in the following areas: First, labor administration. Over a long period of time, problems have existed universally in China's enterprises, such as overstaffed establishment with more hands than jobs, slackness in work discipline, as well as a low rate of attendance and low work efficiency because of the grave malpractices in the labor and distribution systems. While making the enterprise contract system complete and perfect, it is imperative to improve and strengthen labor administration, and to do a good job in fixing quotas and the number of workers and staff. Moreover, it is imperative to do a good job in "bettering labor combination," the "job responsibility system," the piece rate wage, and the quota wage system to bring into full play their active roles. Besides, it is necessary to study the outlet of superfluous hands, and to do a good job in their work arrangement. For example, some of them may go into training, others may be

assigned to open up new areas of production and service trades, some may wait for new job assignments at the factory, still others may be allowed to retire ahead of schedule.

Second, material and equipment control. Consumption of energy resources and raw materials accounts for approximately 70 percent of the cost of goods manufactured in China. Therefore, great attention must be called for in material and equipment control, and efforts must be exerted to lower consumption of energy resources and raw materials to cut cost. Enterprises' potentials are great in this area. Statistics show that around two-thirds of enterprises nationwide have failed to keep the best level in history with regard to material consumption indexes. It is imperative to formulate and to strictly implement rational quotas for material and equipment consumption, to strengthen production and technical control, to reduce spoiled and inferior products, and to unfold activities in repairing old equipment and making use of wastes, practising economy and utilizing substitutes, while strengthening the control in the reserve of materials and equipment.

Third, quality control. Product quality is an important sign by which to judge the production and technological level of a nation. China has somewhat improved its quality of industrial products in recent years. Generally speaking, however, China's product quality is still comparatively low, while suffering from instability, with rather great fluctuation. Especially, when goods in short supply are of inferior quality; such phenomenon can be quite serious. With the implementation of the contract system in enterprises, it is imperative to strengthen quality control, so that product quality may be greatly improved on the basis of strengthening qualities in work, parts, and semi-finished products, and to work hard to create high-quality famous-brand products.

And fourth, marketing control. The concept and essences of marketing have undergone tremendous changes. Marketing is no longer such a simple matter as filling out a form of procurement and allocation, but involves a good knowledge of the clients' demands prior to production while catering to their needs in design and manufacture, while the output should also be determined by market needs. When the products are sold, enterprises should provide technical services, at the same time collect their clients' opinions on the products, revise the design and readjust the production plan based on the feedback. Therefore, marketing has changed from "being the curtain" of the production cycle in the past to "being the prologue," while playing an increasingly important role. The enterprise will be at a dead end if it fails to attach importance to marketing. Therefore, the strengthening of marketing management is also an important task for making the enterprise managerial mechanism complete and perfect.

It is equally necessary to pay attention to the basic work of enterprise management. The backwardness in basic work is the conspicuous expression of the low level of

China's enterprise management. Basic work of enterprise management has been somewhat improved, however, it still falls behind the needs of economic development and management. If the backwardness of the basic work in enterprise management should continue, it would be rather difficult to set up a strict economic responsibility system inside the enterprise, while a complete and perfect enterprise managerial mechanism would also be out of the question.

Management is the string that links various production essentials, and plays an all-round organizational role. However, because of the lack of understanding of enterprise management as being part of the productive force, the economic circles did not regard management as part of the productive force even when they had disputes over the productive force factor in the past. In fact, many Western economists have long considered management part of the productive force. Marx said: The productive force will take shape only when the laborers are linked with production materials through management; in any large-scale social labor, the laborers will be linked with production materials only through management. We used to stress the role of production relations in linking laborers with production materials in the past, while neglecting the role of management. Without management there would not be production labor at all, modern production labor in particular, and there would not be any productive force to speak of. In this sense, management is a productive force essential at a higher plane than laborers and productive materials.

According to the calculation of some foreign entrepreneurs, the contributions to the operational accomplishments of an enterprise are as follows: investment contributes 10 percent, science and technology 30 percent, and the remaining portion of the contributions should all come from management. Therefore, all economically developed nations have put management at a very important place. Some Western economists regard management, science and technology as the "three legs of a tripod," or the "three pillars" for the survival and development of the enterprise. Some regard scientific management and modern technology as the "two wheels" that make top rate economic growth possible. Others compare management to the "software" in an electronic computer. Still others regard management as a kind of invisible material resource coexisting with visible material resources, while believing that the investment in the development of managerial resources is one with little input but high economic results. China is not only backward in science and technology but all the more so in management. To change such a situation, it is imperative to attach importance to management.

**More Unprofitable Enterprises Face Elimination**  
*HK1908131988 Beijing CEI Database in English*  
19 Aug 88

[Text] Beijing (CEI)—Some 300,000 out of 400,000 Chinese enterprises suffering from loss will be eliminated within two years, according to a signed article in the ECONOMIC DAILY on August 17.

China has provided more than 40 billion yuan of funds to cover the losses of these state-owned enterprises. The figure almost equals to half of the country's industrial profits or two thirds of capital construction investment.

China's enterprise bankruptcy law will be put into effect on November 1 this year. The state will adopt methods of contracting, amalgamation and bankruptcy instead of providing funds to these poorly-managed enterprises.

**Linking of Wages, Commodity Prices Viewed**  
*HK1708013088 Beijing JINGJI GUANLI*  
*in Chinese No 6, 1988, pp 33-37*

[Article by Chen Bingcai (7115 3521 2088), excerpted from JINGJI TIZHI GAIGE NEIBU CANKAU (INTERNAL REFERENCE MATERIAL ON ECONOMIC REFORM): "Several Questions on Linking Wage With Commodity Price"—boldface passages as published]

[Text] Under the conditions of the rise in commodity prices, it is necessary to link wages with commodity prices. However, in our country we are still probing into the measure of linking wages with commodity prices and there are many problems awaiting solution. This article will probe into several questions concerning the linking of wages with commodity prices.

**1. The Purpose and Principle of Linking Wages With Commodity Prices**

The so-called linking of wages with commodity prices refers to the upward adjustment of salaries and wages (including bonuses) following the rise in commodity prices. The significance of wages linking with commodity prices lies in the following:

1. Making the compensation for rising of prices systematic. At present the subsidies for commodity prices we are practising cannot be called "linking of wages with commodity prices." This is because such subsidies for commodity prices are of a temporary nature and only when the state makes readjustment of the prices of consumer goods and services can the consumers receive subsidies for commodity prices. But commodity prices rise every year and the temporary subsidies for commodity prices are not granted every year. However, adoption of the compensation or subsidy form for commodity prices by linking wages with commodity prices makes the relation between wages and commodity prices clear-cut, periodic and systematic. The loss of monetary income by residents on account of the rise in commodity prices can be promptly compensated by means of this form. By so doing, people's dissatisfaction with the rise in commodity prices can be reduced and this is advantageous to price reform.

2. Maintaining a stabilized living for low-income families. A rise in commodity prices necessarily causes the lowering in the level of real income of the staff members

and workers. In particular, it affects the basic livelihood of a portion of the low-income earners and their families. Although commodity price subsidies of a provisional nature can compensate a portion of the monetary income of the staff members and workers, yet because of the incomplete character of the compensation (compensating only the portion readjusted by the state) and because of its being non-continuous (not available every year), it is frequently unable to ensure the stability of the basic livelihood of the low-income families. Linking of wages with commodity prices can make the commodity price subsidies complete or integrated, and continuous and as a result can ensure that the standard of living of the low-income earners and their families will not fall.

Linking of wages with commodity prices is not something that can be determined at will. It is governed by definite conditions and these conditions must be noted when carrying out the linking of wages with commodity prices:

A. Must be within the permissible scope of the state's financial power. In the West, the wage problem is solved by negotiations between the two sides of labor and capital in an enterprise. The government attends only to legislation on wages, determines the wages policy, coordinates the relations between labor and capital and does not take part in the process of determining wages. As a result, national finance carries no responsibility regarding subsidy for commodity prices, whereas in our country the level of wages is frequently determined by the government and national finance carries the responsibility of subsidizing commodity prices. Therefore, when considering the linking of wages with commodity prices, the ability to bear the burden on the part of national finance must also be considered.

B. Must be beneficial to maintaining and stabilizing the workers' labor and production enthusiasm. In essence, the linking of wages with commodity prices is a sort of commodity price subsidy to the staff members and workers for the rise in the cost of living. But the forms of such a subsidy are many and various. If the forms are different then the functions and effects are also different. But regardless of which form is selected, the central point is to maintain and stabilize the fervor for work and the enthusiasm for production on the part of the workers—it is necessary to maintain the fulfillment of the fixed labor target and an increase in the labor results. Otherwise, the more the price subsidies, the less the stimulating function of the salaries and wages.

C. Must be beneficial to avoiding the wages and commodity prices taking turns in rising, and also must be beneficial to controlling currency inflation. People are frequently concerned with the possibility of the linking of wages with commodity prices making both wages and commodity prices going up in a spiral form, and thereby aggravating currency inflation. It must be said that such a possibility does exist. But the experiences of many countries in the world have shown that linking of wages

with commodity prices may or may not aggravate currency inflation and that under certain conditions it may even check currency inflation. The key lies in that we must follow the international and domestic economic situation as well as the country's own special economic features in making a good choice of the form of the linking of wages with commodity prices.

D. Must ensure that the actual income (or livelihood) level of the great majority of staff members and workers does not fall. The commodity price subsidy in the linking of wages with commodity prices may be compensation or subsidy in full and may also be in part, naturally depending on the actual conditions. But in any case, the linking of wages with commodity prices must ensure that the actual income level of the great majority of staff members and workers does not fall (naturally, the prerequisites are that production must develop and the economic benefits must be increased). This is also to say, in determining the size of the price subsidy or compensation, consideration must at the same time be given to the condition of the increase in the wages of the staff members and workers apart from the commodity price subsidy or compensation. If the increase of the wages apart from the subsidy is rather rapid, then the subsidy can be less; but if the increase is relatively slow, then the subsidy should be greater. But regardless of the size of the subsidy, we cannot interpret that "ensuring the actual income level of the staff members and workers not to fall" can be solved merely by the method of giving commodity price subsidies.

E. In linking wages with commodity prices, the actual operation must be unanimous with the direction of the reform of the economic structure and at the same time must promote and facilitate the reform. Enforcing the measure of linking wages with commodity prices is part and parcel of the reform of the economic structure. We cannot, just because of the linking of wages with commodity prices, conflict with other phases of the economic reform. In planning the operations in connection with the linking of the wages with commodity prices, we must take due note that the direction must be the same with that of macro-economic reform. In particular, we must note that the operations are coordinated with the other sectors of the economic reform, so as to push forward the whole reform of the economic structure.

#### **Problem of Computing the Price Index in Linking**

In linking wages with commodity prices, the first problem that will be encountered is the computation of the price indices that will be linked with. In this connection, the key lies in determining the index categories and the nature of the commodities embodied in the computation of the index.

Generally speaking, there are three kinds of commodity price indices that can be linked with. The first is living expense index; the second is sensitive commodity price index; and the third is basic living expenses price index.

The living expense index embraces factors of price changes. It is principally used to reflect the changing conditions in the residents' consumption outlay. The list of commodities used in computing this index must be rather comprehensive. It should include the necessities for living, also living articles not essential for existence, and even a portion of the luxury goods. None of them should be neglected.

The sensitive commodity price index is principally used to reflect the consumer's attitude toward the condition of the commodity prices and wages. It is computed on the basis of the prices of certain sensitive consumer goods and their changes. Sensitive consumer goods refer to commodities whose price changes can easily attract the strong reaction of consumers and producers. In our country, grain, fresh vegetables, pork, and eggs belong to the category of sensitive consumer goods. Price changes of sensitive consumer goods have important effects on the residents' livelihood. The list of commodities employed in computing this index must be of a sensitive character.

The basic living expenses price index is computed on the basis of the existing consumption structure and price changes of consumer goods of a certain period. It is used to reflect the changes in the basic living conditions of the residents. The list of commodities used in computing this index must be necessities for living and not non-living necessities. Necessities for living should not be interpreted as consumer goods and services which satisfy physiological and survival needs. The latter are the necessities for survival. The difference between the two is that basic necessities for living refer to the consumer goods and services which residents in their livelihood cannot lack at a definite stage of economic development. For example, in the early 1950's, high-grade electrical goods and equipment did not constitute necessities for people's living, but after the 1970's they gradually became the necessities for people's living. In different economic development periods, the contents of necessities for living are different and this should be duly noted. As for the present, in the family lives of residents in cities and towns in our country, wristwatches, bicycles, electric fans, television sets, large wardrobes and other such durable consumer goods have become necessities of life and they should not be classified as luxury goods or non-necessities. In our country, in the determination of necessities for living, determination of the durable consumer goods may be based on their use-generality rate; in the case of subsidiary foods products, determination may be based on the price elasticity of the commodities or by the income elasticity when income is on the downward level; determination of consumer goods for daily use may be based on the frequency rate of their use or the degree of their being in general use; while the consumer goods for wearing may be determined on the basis of their scope of consumption. Regardless of whatever method used to demarcate or define the necessities for living, if only it is correct and workable then it can be used but in any case we should not rely on mere sense or

intuition to make the demarcation. The scope of the necessities for living is much wider than that of those employed in computing the commodity price index for linking. Hence it is not possible to use all of them in the computation. Therefore, in selecting the list of commodities for computing the index, we should take note if the selected commodities can duly reflect the changes in the consumer's living expenses. For example, when selecting the durable articles, if two articles are selected, then we cannot select the mechanical wristwatch and electric fan, because the prices of both of these two articles are on the downturn. Rather, we should select a durable article, the price of which is rising, such as a bicycle or a large wardrobe.

At present there is a certain tendency to first specify the proportion or ratio occupied by the basic living expenses of the staff members and workers out of the total amount of outlay for living expenses, then on the basis of which selection is made of the list of commodities for compilation of the commodity price index and then, on that basis, the commodity price index is computed. This method is not at all appropriate. Regarding the size of the proportion occupied by the basic living expenses of the staff members and workers out of the total living expenses, we cannot first of all specify it. It can only be calculated on the basis of the outlay by the staff members and workers in the purchase of the necessities for living. If we fix in advance the ratio of the basic living expenses, then under the conditions of the list of commodities available for selection being a fairly large one, the subjective and spontaneous character in determining the list of commodities for computing the index is rather large; and if different combinations are made in the list of commodities, then there may be many commodity price indices computed, possibly with a great disparity between them. When enforcing the linking of wage with commodity price, the question would be which index to choose. In fact, whichever index chosen lacks a scientific basis. Hence, this method cannot be used.

In the writer's opinion, in selecting the commodity price index for linking, the "basic living expense price index" suits the purpose better. This is because choosing either the "sensitive commodity price index" or the "living expense index" cannot reflect well the conditions of changes in the consumption outlay of the families of low-income earners.

### 3. Problem of Determining the Program of Linking Wage With Commodity Price

In linking wages with commodity prices, the second big problem that will be encountered is how to determine the program or the linking. This in turn touches on the following problems:

1. The problem of the form of linking wages with commodity prices. In linking wages with commodity prices, what form should be taken has rather large effects after the linking. Hence, it must be carefully chosen.

Generally speaking, there are two methods of linking wages with commodity prices: One is direct linking, that is, what people usually call indexing of wages; the other is indirect linking, that is, computing only the commodity price index on the basis of which to determine the amount of the commodity price subsidy, but without computing the wage index. This form is also called non-indexing of wages.

The indexing of wages principally has four forms: the first is full wage indexing, that is, the rise in the commodity price index is concomitant with the rise in the wage index; the second is partial wage indexing, that is, the rise in wages is lower than the rise in the commodity price index; the third is limited wage indexing, that is, only when the rise in the commodity price index comes to a certain fixed point will the wage level be adjusted; and the fourth is wage indexing in excess of commodity prices, that is, the index of wage increase exceeds the index of rise in commodity prices.

In the case of the non-indexing of wages, the form of the commodity price subsidy takes principally three forms: The first is the bonus system, that is, when granting the bonuses to the staff members and workers, consideration is given to the factor of the rise in commodity prices; the second is the system of readjusting the wages, that is, based on the condition of the rise in the living expenses of the staff members and workers the salaries and wages of the staff members and workers are adjusted once every year or every two years; and the third is the commodity price subsidy system, that is, based on the condition of the rise in commodity prices, granting the staff members and workers commodity price subsidies at fixed periods.

In selecting the form to be adopted, we must consider various kinds of factors and conditions. In particular, we should watch that the subsidy amount linked to the commodity price cannot exceed the affected amount of the monetary income of the staff members and workers on account of the rise in commodity price.

2. Selection of the wage target for linking. Selection of the wage target in linking wage with commodity price affects the ability to bear on the part of finance and also determines the selection of the form for linking. It is exceedingly important to probe into this problem. At present there are four targets for linking available for selection: a) the lowest standard wage; b) the graded-standard wages; c) basic wage (equivalent to graded standard wage plus various kinds of service subsidies); and d) full wages (equivalent to basic wage plus bonuses plus others).

Different targets used in linking wage with commodity price product different effects. Use of the lowest standard wage in linking with the commodity price can ensure that in the families of staff members and workers of low income the standard of living will not fall and at the same time can protect the basic livelihood of the

families of laborers in the whole society. However, the defect of such a target is that following the gradual rise in the commodity price index and the gradual increase in the commodity price subsidy the disparity between the various levels of wages will be gradually reduced and if the original disparities in the various levels of wages are basically rational, then reduction in the disparity between the wage levels will not be beneficial to arousing and displaying the laborers' fervor for work and their enthusiasm for production. On the other hand, use of the graded standard wages to link with the commodity prices can maintain the original disparities between the various grades of wages and is beneficial to maintaining and stabilizing the fervor for work and the production enthusiasm of the laborers of different wage levels or grades. At the same time, it helps in encouraging the staff members and workers to raise their technological level in production. Nevertheless, the defect of this method is that it will ultimately widen the disparities between the various grades or levels of wages. Moreover, it will lead to a situation where the higher the wage level, the larger will be the commodity price subsidy obtainable and the lower the wage level the smaller the commodity price subsidy obtainable. Result: the commodity price subsidy is advantageous to the high-income workers and disadvantageous to the low-income workers. Conversely, the increase in the purchasing power of the high-income workers will push commodity prices upward while the purchasing power of the low-income workers will steadily fall. In the end, this may attract people's dissatisfaction with the method of commodity price subsidy and the social distribution policy as a whole. Adoption of the target of basic wages has nearly the same advantages and disadvantages as adoption of the standard graded wages. But because use of the basic wage takes into consideration the labor conditions of the various industries and trades and of the work posts, selection of this target helps in balancing employment between the various industrial departments. Use of the "full wage" system and use of the "basic wage" system have about the same advantages and disadvantages but the defect is that they will likely widen the gap between the earnings of the low-wage earners and the high-wage earners and thus lead to expanding the disparities in the income of the staff members and workers. It is apparent that choice of any one of the targets has its own advantages and disadvantages; hence how to take the advantages and remove the defects must be duly considered when planning the linking program.

3. Problem of unification of the commodity price indices. Since our country is currently in the stage of a transfer between the old and new economic structure, enforcement of linking of wage with commodity price touches on the problem of what kind of index to use in the linking: Should the various localities of the country adopt a nationally united commodity price index to link with the wages or should the linking of the wages be done on the basis of the separate commodity price indices of the various localities? Seen from the realistic conditions, for the various localities of the country to use a united

commodity price index in the linking with wages, there will be many difficulties. The indices of the rise in commodity prices in the localities are at variance with each other, higher in some places and lower in other places and the use of a united commodity price index will necessarily lead to the phenomenon of injustices in the granting of the commodity price subsidies. This will inevitably be strongly opposed by the governments and people of the localities. Thus, linking will be difficult. Some people may make the supposition of using the coefficients of the disparities in the wages of different localities as the basis and thereon carry out the linking of a national united commodity price index with wages. Such a supposition is also unrealistic. At present in our country the wages categories in the different localities have been in force for over 30 years and have been exceedingly irrational. On such an irrational basis to try to find a rational coefficient of the wage disparities in different localities is well-high an impossibility. Moreover, between the wage categories themselves in the localities and the commodity prices there does not exist any close relationship and the consideration of using a disparity coefficient cannot make the commodity price subsidy derived from a united commodity price index relatively just or equitable. Besides, viewed from the direction of the economic reform, wage reform will proceed along the trend of graded management until ultimately the enterprise determines the wage level and from now on the government will not directly take part in the process of determining wages in the enterprises (except under special conditions). Rather it will exercise its control over wages mainly through wage legislation, wage policy and taxation policy. If we select a nationally united commodity price index to link with wages, then this will obviously imply that the central government still wants to directly intervene in the wage standard and wage level of the staff members and workers in the localities and even in the enterprises. This is contrary to the direction of the economic reform and to the changing trend in the form of the government's macroeconomic control. In recent years, enforcement of the method of making a nationally united readjustment of salaries and wages has not produced ideal results. Frequently, it was wasting money in buying groans and complaints from the populace. If we were to enforce linking wages with a national united commodity price index, then the results would not be any different.

In our opinion, it would be more reasonable if we could, based on the central government and the localities enforcing a separate tax system and on local finance fixing the amount of the commodity price subsidies according to local conditions, enforce the linking of the local commodity price index (may be extended to each and every large city) with wages. By so doing, it would also be possible to make good preparations for the central government in the future refraining from directly determining wages and commodity prices.

Enforcement of the scheme of linking wages with the commodity price indices of the localities can also check the rise in commodity prices in the localities. This is

because the higher the local commodity price index, the heavier is the burden of local finance and thus the local governments will strive hard to do a good job of controlling the commodity prices. Moreover, enforcing the measure of linking wages with the local commodity price indices can make the commodity price subsidies tend to become rational and at the same time can better check the undue expansion in the income of the staff members and workers of the enterprises. Since the local governments can have a clearer knowledge of the wage increases in the various enterprises, they can give less commodity price subsidies to those enterprises in which the wage increases have been too rapid, whereas in the case of those enterprises in which the increase in the staff's wages is relatively slow, the subsidies can be more (naturally conditions governing the amounts of the subsidies were fixed beforehand). By so doing, commodity price subsidy can reduce a portion of the financial burden, can better accomplish the purposes of the subsidies and at the same time can hold in check the too rapid rise in wages on the part of certain enterprises. Moreover, enforcing the measure of linking wages with the local commodity price indices can facilitate the local governments in helping the enterprise to raise their economic benefits. Under the conditions of a locality's commodity price index rising to a rather high level and the local government concerned being unable to keep it in check, the local government should take the wise step of helping the enterprises to strive hard to raise the economic benefits and to increase the workers' wages, since only by so doing can the financial difficulties be lessened.

4. Comparison and selection of the program for linking wage with commodity price. Based on the forms of linking wage with commodity price and taking into consideration the targets for linking wages, we can derive the following linking programs:

**Programs for linking in the case of wage indexing**

Full wage indexing	Minimum standard wage
Partial wage indexing	Graded standard wage
Limited wage indexing	Basic wage
Supra-commodity price wage indexing	Full wage

**Programs for linking in the case of non-indexing of wages**

Minimum standard wage	Bonus system
Graded standard wage	Wage readjustment system
Basic wage	Commodity price subsidy system
Full wage	

In accordance with the above-mentioned matrix, we can list some 28 linking programs that are available for selection: Complete wage indexing of minimum standard wage, complete wage indexing of graded standard wage..., wage readjustment system of full wage, system of commodity price subsidy of full wage, and so forth. The majority of the programs need only certain technical adjustment and will become workable so far as the

financial ability to bear is concerned. But taking into consideration the purposes and principle of linking and the advantages and disadvantages of various programs, we are inclined to the following program: The wage readjustment system of the graded standard wages or the wage readjustment system of the basic wages. But this program will still need certain technical readjustment that is the higher the graded wage, the lower should be the ratio of the increased amount of the commodity price subsidy in the wage although the absolute amount of the commodity price subsidy still follow the rise in the wage grades and rise.

Here, the reason why we do not favor the adoption of the linking program of the wage indexing form is: Once the rate of the linking of wage with commodity price is fixed it cannot be changed, whereas the local governments at various levels can hardly grasp or control to what extent the rise in commodity prices each year will be and also cannot anticipate the kind of conditions that will appear in the increase of the per capita income of the enterprises. Thus when the ratio of the linking of wage with commodity price is fixed beforehand, in making the annual plan, finance has no knowledge of the amount of lay out of the commodity price subsidies, and quite possibly in the execution of the program finance will meet with difficulties in outlay. On the other hand, if in order to avoid the difficulties in making the financial payments, a rather low ratio is fixed beforehand, then the whole purpose of the linking program may be defeated and the consumers as well as the staff members and workers of the enterprises may feel dissatisfied with the rise in commodity prices and with the wage reform. Moreover, in the economic system of our country, the situation of demand exceeding supply has not yet been eased. If wage indexing is directly adopted, the result will be the further expansion of the surplus purchasing power and pushing the expansion of consumption demand. In turn this will cause the commodity prices to rise. Obviously this will be detrimental to the control of currency inflation.

The reason why we do not select the two other forms of the non-indexing of wages is: the commodity price subsidy in the commodity price subsidy system is the extra income apart from the remuneration for the work of the staff members and workers. Following the accumulation of the subsidies, the ratio occupied by the commodity price subsidy in the income of the staff members and workers will be expanded. This is detrimental to maintaining and stabilizing the fervor for work and the enthusiasm for production on the part of the staff members and workers. We must clearly understand that although the functions of wages are many yet under the conditions of a low wage-level and the low rate in production efficiency and economic benefits, we should put the stimulant function of wages in the first place so as to enable the limited wages to display to the utmost their stimulating functions. This thus will require that the commodity price subsidy in the wage income must be related to the individual's labor. If the price subsidy

cannot achieve this purpose, this form of subsidizing should not be resorted to. The bonus system does have certain merits for adoption in our country but the conditions are still not yet matured. At the present stage, in our country there are still certain enterprises which in policy habitually incur deficits and also certain enterprises yielding only low profits because of the irrational prices of their products. It is impossible to require these enterprises to defray the commodity price subsidies by means of, or from, their bonuses and yet we cannot, because of this, stop giving commodity price subsidies to their staff members and workers. In addition, certain high profit-yielding enterprises frequently do not earn their high profits because of their high management level. If they are allowed to defray the commodity price subsidies by means of or from bonuses, then they will obtain even more. Obviously this is unreasonable.

In comparison, adoption of the wage readjustment system has certain strong points. First, in its yearly planning local finance should have "some idea" of the amount of commodity price subsidies required. It is true that this form may still encounter the phenomenon of an insufficient wage readjustment on account of the overly large scale in the rise of the commodity prices, but prompt readjustment may still be made according to the condition of the execution of the financial plan during the year. Second, this form of linking does not come into conflict with the existing wage system and the results of the current wage reform in the enterprises. Hence, it should be readily acceptable by each and every enterprise. Furthermore, the wage readjustment system is beneficial to the local governments regulating the increase in the income of the staff members and workers of the enterprises. The local governments can provide different commodity price subsidies to enterprises with different scales of increase in their average wages, whereas if other forms of commodity price subsidies should attempt to accomplish this point then technically the difficulties will be greater.

We have left out the minimum standard wage and the full wage from the selection because the defects of these two targets lies in that when making them up the technical difficulty is very great and even beyond the realm of possibility. As for why the wage readjustment system of the graded standard wage or of the basic wage is not directly adopted but only after making certain changes, it is out of consideration of the purposes of the commodity price subsidy and its just and rational character—that is, to protect a stable livelihood in low-income families and also to avoid making the wage disparities becoming too large or too small. And the reason for choosing the two targets is because they are relatively close to each other (seen from effects of the linking) and also because of consideration of the ability to bear on the part of national finance. If the financial ability to bear is relatively weak then the target of "graded standard wages" should be selected but if the financial ability is relatively strong, then choice of the target of "basic wages" may be considered.

The discussions in this article on the problem of linking wage with commodity price are mainly for application to the enterprises. There has been no consideration of what to do in the event of the rise in commodity prices so far as the salaries and wages of government employees are concerned. In the writer's opinion, this should not be a difficult problem.

**Paper Warns of Poor Consumption-Production Ratio**  
*OW1908041188 Beijing XINHUA in English*  
1116 GMT 18 Aug 88

[Text] Beijing, August 18 (XINHUA)—Consumption continues to far outstrip production in China in recent years and if the situation doesn't change, education, defence, and other aspects of life will suffer for years to come, today's "CHINA YOUTH NEWS" said.

The paper noted that between 1978 and 1986, people's buying power increased 3.85 times, but productivity only rose 2.15 times.

The problem is more critical in cities, where between 1984 and 1986 average wages increased 102.5 percent, while productivity was up only 80 percent.

The State Treasury can barely make ends meet, the paper said, yet farmers are unwilling to invest in land, enterprises lack control over expenditures, and the zest for spending is unabated.

The public spending accounts for a high portion of the consumption, the paper said, noting that almost all state employees get medical care, subsidized housing, day-care for children, and free funerals.

The Government has tried to curb spending but to little avail, the paper said.

Shandong Province, for example, handed out 390 million yuan worth of food subsidies during last Spring Festival.

In Beijing, 40 percent of the high-grade grains citizens receive are provided by public funds. One employee said that at the Spring Festival, all he needs to buy himself is a packet of salt as all other things are provided by his unit.

The paper was critical of officials riding around in expensive cars and said even an ordinary county chief has an import at his disposal to cruise through narrow streets with his head held high.

**Official Discusses Developing Coastal Areas**  
*OW1808144188 Beijing XINHUA Domestic Service*  
in Chinese 1220 GMT 16 Aug 88

[By reporters Zhuo Peirong and Tang Hong]

[Text] Beijing, 16 Aug (XINHUA) — Yan Hongmo, director of the State Oceanography Bureau, said today: China will implement a policy of simultaneous development and protection in building its coastal areas. China will draw up and carry out a policy of developing marine industries, and measures for the comprehensive and coordinated management of sea and coastal areas, in an effort to promote the development of marine industries and the economy in coastal areas.

Yan Hongmo made the remarks at an academic symposium on China's coastal areas opening today. He said: China's marine industries have developed rapidly in the past 10 years. The original marine industries, such as the sea freight, port construction, shipbuilding, fishery, and salt industries, have been developed and modernized. New marine industries, such as the offshore petroleum, beach tourism, marine aquaculture, and marine chemical industries, have flourished. Many large industries, including iron and steel, thermal and nuclear power, salt chemical, and petrochemical industries, are being built at selected sites in the coastal areas. The implementation of the strategy of developing the economy of coastal areas by the state this year has provided a good opportunity for the development of marine industries in China.

Yan Hongmo said that present conditions indicate sustained, big development of China's marine industries well into the future. It will have a big influence on economic development in coastal areas as well as on economic, technological, and social advance throughout the nation. However, this will inevitably also create increasing pressure on resources and the environment in the coastal areas.

He noted that in view of this China carried out a planned "comprehensive survey of the nation's coastal belt and beachfront" for 7 years from 1980 to 1986. The survey was conducted along China's continental coast line, extending 10 kilometers into the hinterland and 10 to 15 meters into the sea and covering an area of approximately 350,000 square kilometers. The survey stressed the application of achievements and experiments in development, and had therefore a marked economic impact. At the same time, the state strengthened and improved its management over the coastal belt. It is a zone where sea and land interact with each other and which is marked by a changeable natural environment. China will face many major decision-making and management problems regarding this coastal belt. Over the years China has issued a series of laws on the management and control of the coastal belt, setting up a number of beaches and islands as natural reserves through marine planning. In addition, China has organized many

natural scientists, economists, jurists, and management specialists to study new and more effective measures for comprehensive management. Study of a management system and of interregional coordination is actively being conducted nationwide as well as locally.

**Official on Floods Disrupting Railways**  
*OW1908113188 Beijing XINHUA in English*  
*1006 GMT 18 Aug 88*

[Text] Beijing, August 18 (XINHUA)—The frequent floods this summer have seriously hampered the country's railway transport, the Ministry of Railways has reported.

The floods have damaged railway lines in 123 places and caused suspension of operations for a total of 1,027 hours, the ministry's spokesman said.

Since the beginning of July, torrential rains have swept most areas of northeast, north, and northwest China, and coastal regions in southern China have been hit by typhoons, resulting in flooding, waterlogging and mud-rock flows in many places.

The most affected were the Beijing, Zhengzhou, Shanghai, and Harbin railway bureaus, the spokesman said.

Because of this problem, he said, the railways failed to fulfil the July plan for freight transport although the transport of such key items as coal, petroleum, and disaster relief goods was ensured.

"However, through the joint efforts of all railway workers, no railway accidents took place despite the floods," he said.

Meanwhile, the ministry has taken a series of measures to handle the sharply increased passenger flow. In July, 102.644 million passengers were transported, 5.478 million more than in the same month of last year.

In August, 774 temporary passenger trains were added and the load has reached 3.5 million passengers a day, the spokesman said.

**Drought Threatens Crops; Water Shortages**  
*OW1908133388 Beijing XINHUA in English*  
*1157 GMT 19 Aug 88*

["Drought Threatens China"—XINHUA headline]

[Text] Beijing, August 19 (XINHUA)—Dry weather has dominated China's climate this year, even though some areas have been hit by flooding, the Ministry of Water Resources reported today.

As of August 17, drought was plaguing 11.33 million hectares of farmland nationwide, especially in areas along the middle and upper reaches of the Yangtze River, and in parts of Fujian, Guizhou, Shandong and Shaanxi Provinces and the Inner Mongolia Autonomous Region.

Crops on 249,300 of the 1.78 million hectares of drought-hit farmland in Hunan Province have dried up and in Liaoning Province 126,600 hectares have yielded nothing. In Shandong, 1.74 million people are faced with drinking water shortages.

The ministry has called on dry areas to double up drought prevention efforts.

**Research Institutes To Have New Financing**  
*OW1908023388 Beijing XINHUA in English*  
*1222 GMT 18 Aug 88*

[Text] Beijing, August 18 (XINHUA)—A new financial system will be introduced in China's scientific research institutes later this year as part of the reform program in the field of science and technology.

A spokesman from the State Science and Technology Commission said today that research institutes nationwide will pursue unified economic accounting and cost control.

Up to now, most research institutes are funded by the state, but under a new system, they will be responsible for their own profits and losses as independent economic entities.

The introduction of unified economic accounting and cost control systems has become a must, the spokesman said.

**Rare Earth Fertilizers Hold Potential**  
*OW1808184388 Beijing XINHUA in English*  
*0820 GMT 18 Aug 88*

[Text] Beijing, August 18 (XINHUA)—A rare earth fertilizer is increasing crop yields and the success is exciting agronomists seeking solutions to China's chronic fertilizer shortages.

The fertilizer named "Nongle (Farmers' Happiness)" increased outputs of grain and edible oil by 500 million kilograms on 3.33 million hectares of land on which it was tested, the overseas edition of "PEOPLE'S DAILY" reported today.

Experiments show that the rare earth fertilizer can help increase the yields of crops by five to 15 percent.

The results augur well since China has 80 percent of the world's proven rare earth resources.

Researchers from Beijing Nonferrous Metals Research Institute and Beijing Rare Earth Center for Agricultural Use have spent years developing the rare earth fertilizer.

"Nongle" won second prize of state for scientific and technological progress this year. It is hoped it will help increase output of more than 20 farm crops and cash crops such as wheat, rice, maize, peanuts, watermelons, apples, grapes, cotton, rubber and tea.

**Crime Control Centers Popular With Public**  
*OW1808074988 Beijing XINHUA Domestic Service  
in Chinese 1228 GMT 16 Aug 88*

[By reporter Chen Yan]

[Text] Beijing, 16 Aug (XINHUA)—This reporter learned from the Supreme People's Procuratorate that by 8 August, 356 procuratorates nationwide had either opened crime control centers or crime control hotlines, which have already received 3,001 reports from the people.

Since the Supreme People's Procuratorate announced its telephone number for crime control on 29 June, procuratorates across China have followed suit by setting up their own crime control centers or hotlines. Twelve provinces, autonomous regions, and municipalities, including, Shanghai, Tianjin, Jiangxi, Sichuan, Jilin, Shanxi, Hubei, Ningxia, Xinjiang, Hunan, Jiangsu, and Inner Mongolia, have set up crime control centers or hot-lines in their procuratorates at the provincial level. Clues provided by the people involved economic crimes, legal and disciplinary cases, criminal cases, and matters concerning party, as well as administrative, discipline.

According to a relevant responsible person of the Supreme People's Procuratorate, of the 3,001 cases logged, the majority—1,462—involved economic crimes, and of the economic crimes, the majority—74

percent—involved corruption and bribery. A total of 289 cases dealt with illegal funds in excess of 10,000 yuan, or even in excess of 40,000 yuan in some cases.

It was reported that the Supreme People's Procuratorate received 243 reports during the first month its crime control hotline was opened for the public to report crimes. Those accused totalled 268, of whom 156 were government employees, 78 party secretaries, party branch secretaries, bureau chiefs, factory directors, or managers, and 21 were government officials at the ministerial level. Those who reported crimes totalled 273, including Beijing residents, people from other places, and three Hong Kong, Macao, and foreign citizens. It was said that most of the accusers used their real names in reporting crimes; only a few were unwilling to reveal their names. They were advised to dispel any worry, because the procuratorate would protect their legitimate rights and interests, and keep their names in strict confidence.

Currently, procuratorates at various levels across the nation are taking pains to investigate the cases reported by the public. Of the 243 cases accepted and heard by the Supreme People's Procuratorate, 13 will be directly handled by the procuratorate itself, 38 will be passed on to procuratorates of various provinces, autonomous regions, and municipalities for handling, and the rest will be passed on, according to their respective nature, to relevant departments for investigation.

#### **Correction to Control of Financial Institutes**

The following correction pertains to the item headlined "Control Over Non-Bank Financial Institutes Urged," published in the 17 August China DAILY REPORT, page 30, column 1:

Sourceline reads: *OW1708073788 Beijing XINHUA Domestic Service in Chinese 2344 GMT 8 Aug 88 (adding "XINHUA")*

### East Region

#### **Fujian Registers Rise in Foreign Exchange** *HK1808114388 Beijing CEI Database in English* 18 Aug 88

[Text] Fuzhou (CEI)—Among the 596 Sino-foreign joint ventures, cooperative enterprises and wholly foreign-owned enterprises in Fujian Province in 1987, 316 have registered a balance or surplus of foreign exchange, according to statistics of the province's Administration of Foreign Exchange Control.

In the first five months of this year, these enterprises underwent a better turn in foreign exchange balance compared with that in the previous two years, by selling at the foreign exchange readjustment center a total of more than 30 million dollars that doubled the amount they bought in the center.

The administration officials say that the foreign exchange balance improvement was partly due to the fact that most of foreign investment in the province were made in production projects, which led to the increase of export of products and foreign exchange income.

For instance, in the first half of this year, the industrial output value of these enterprises reached 1.6 billion dollars, more than doubling the amount in the same period of last year, with an export volume of over 71 million dollars, a 400 percent increase over the same period.

In addition, the foreign exchange balance improvement of these enterprises was also attributed to an improved investment environment with the establishment of foreign exchange readjustment centers in Fuzhou, Xiamen and other places, which made it possible for them to use foreign exchange in a flexible way.

#### **Fujian Launches 4 More Spark Plan Projects** *OW1908054188 Fuzhou Fujian Provincial Service* in Mandarin 1000 GMT 17 Aug 88

[Text] This year, Fujian makes another stride in implementing the Spark Plan. By 16 August, the province had launched 4 spark plans, totaling 46 projects. Among them, there are 10 state-level and 36 provincial-level projects. The projected investment totalled 33 million yuan. On completion of these projects, the province is expected to yield an output value of 150 million yuan, increase more than 30 million yuan in taxes and profits, and earn additional 10 million yuan of foreign exchange. Soil improvement and selective application of fertilizer, 2 of the state-level spark plan projects, had been promoted in 1.76 million mu farmland in the 1st half of this year, resulting in lowering of production costs by 1.96 yuan and an increase of 44 kg yield per mu. The province is expected to increase production by 70 million kgs of grain and reduce farming costs by 3.46 million yuan in promoting the above 2 spark plan projects.

Another rice-production-boosting spark plan, also a state-level project, which had been promoted in 1.30 million mu of farmland in the province, is expected to yield 50 million kgs of grain for the province.

#### **Xiamen-Foreign Joint Ventures Profitable** *OW1908002688 Beijing XINHUA in English* 1410 GMT 18 Aug 88

[Text] Xiamen, August 18 (XINHUA)—Of the 95 foreign-funded enterprises in Xiamen in coastal Fujian Province, 78 netted a combined profit of about 50 million yuan in the first half of the year.

According to Chen Deqiao, director of the city's Foreign-Funded Enterprises Administration, 64 such industrial enterprises performed exceptionally well. They made a total output value of 750 million yuan, netted a profit of 30 million yuan and had 60 percent of their products sold in foreign markets.

However, 17 lost a total of nine million yuan. "The municipal government will give a hand in helping improve their management and promote sales of their products," Chen said.

By the end of this July, the number of foreign-funded enterprises operational in Xiamen had reached 218 and they achieved 40 percent of the city's total industrial output value.

#### **Shandong Official Meets Hong Kong Entrepreneur** *SK1908003088 Jinan Shandong Provincial Service* in Mandarin 2200 GMT 17 Aug 88

[Text] On the evening of 17 August, Li Zichao, chairman of the provincial CPPCC Committee, cordially received and feted Miss (Jiang Liyun), member of the provincial CPPCC Committee and chairwoman of the board of directors of Hong Kong's Stock and Investment Corporation Ltd, at the Nanjiao Guesthouse in Jinan City.

Miss (Jiang Liyun) came to the province to hold talks with the provincial authorities on several issues, including the construction of a joint-venture commercial building in Jinan City and the establishment of an office of the Industrial and Trade Company Ltd in Jinan City. She will also visit Heze Prefecture to hold consultations with the prefecture on how to enhance operation and management over the joint-venture business.

During the reception, Li Zichao, chairman of the provincial CPPCC Committee and chairman of the board of directors of the provincial International Cultural Exchange Center, proposed to appoint Miss (Jiang Liyun) as a director of the board of directors of the provincial International Cultural Exchange Center. Miss (Jiang Liyun) accepted the appointment with pleasure.

and expressed that she would readily make contributions to strengthening the province's program of carrying out cultural, scientific, and technological exchanges with foreign countries.

**Shanghai Company Begins Securities Transactions**  
*OW1808053988 Shanghai City Service in Mandarin*  
2200 GMT 15 Aug 88

[Text] The (Shenyang) Securities Company, the first of its kind in Shanghai since the founding of the People's Republic of China, began operations on 14 August. Invested in and established by the Shanghai municipal branch of the People's Bank of China, it mainly conducts wholesale transactions of negotiable securities which are designed to promote the development of Shanghai's stock market in the direction of standardization and internationalization.

The municipal People's Bank also made public some regulations governing the issuance and trading of negotiable securities on 14 August. Units that wish to have their stocks or bonds traded publicly may directly apply to the municipal People's Bank or entrust the securities company to go through the application procedures and obtain approval from the financial administration for issuance.

If the amount of an enterprise's bonds offered to the public exceeds 10 million yuan, the securities company will act as the agent of the enterprise to issue and promote sales of its bonds. If the amount is less than 10 million yuan, the enterprise may appoint one or more trust and investment companies to promote the sales of its bonds. For an enterprise whose stocks and bonds are offered only to employees within the company, the original regulations will apply. Under current circumstances, since conditions are not yet ripe for establishing companies that specialize in the transfer of stock ownership, starting from 1 January 1989, the issuing units will handle the transfer of stocks that must be retained in a company with limited liabilities.

**Central-South Region**

**Guangdong Bans Black Market Forex Dealings**  
*HK1808052988 Guangzhou Guangdong Provincial*  
Service in Mandarin 0400 GMT 17 Aug 88

[Text] The Guangdong Provincial Government recently issued a circular on resolutely banning black market foreign exchange transactions. The circular demanded that the banks strictly verify the cash deposits and accounts of units accepting foreign exchange certificates and Hong Kong currency, so as to prevent enterprises from joining in black market foreign currency transactions. If problems are discovered, the local foreign exchange control bureaus must be informed immediately. The matter will then be dealt with in accordance with the relevant regulations.

The industrial and commercial administrative departments at all levels must resolutely prohibit black market foreign currency transactions in their localities. All black market foreign currency and renminbi seized on the spot will be confiscated and handed in to the state treasury. Customs must step up inspection of currency entering and leaving the country. People smuggling large sums of currency out of the country should be handed over to the judicial departments to be punished severely according to law.

**Guangdong Outlines Financial Measures, Markets**  
*HK1808051188 Guangzhou Guangdong Provincial*  
Service in Mandarin 0400 GMT 17 Aug 88

[Text] A provincial meeting of finance office directors opened in Dongguan City yesterday. Vice Governor Liu Weiming proposed: Centered on speeding up the reforms, we must perfect the market mechanism.

He said: In forming a market mechanism, it is first necessary to launch overall price reform. Through price reform, we should readjust the interests of the producers, operators, and consumers. In the future, questions of operational development of finance and trade enterprises must be resolved through price reforms and through joining in market competition. If they are unable to get through the pass of price reform, those that should go bankrupt will do so, in accordance with the laws of market regulation.

Liu Weiming pointed out that from the 2d half of this year, the functions of the specialized banks are to be perfected. In the future, the banks will have the power to select for capital support those enterprises with reserve strength in production and development potentials. Enterprises will also be allowed to choose low-interest bank loans. From next year, the province will gradually organize an information market and adopt new methods of providing paid information services and allowing fluctuations in information costs.

**Guangxi Cadre Executed for Taking Bribes**  
*OW1908024488 Beijing XINHUA Domestic*  
Service in Chinese 1113 GMT 18 Aug 88

[By reporter Zhu Ming and correspondent Liao Zhengcai]

[Text] Nanning, 18 Aug (XINHUA)—Zhou Huaguang, a cadre of the Overseas Chinese Affairs Office of the Guangxi Zhuang Autonomous Region, was executed today. He was sentenced to death by the Nanning City Intermediate People's Court on the charge of taking advantage of his office to accept bribes and of joining his son Zhou Yi in smuggling cars to reap staggering profits.

At the Guangxi Region's Overseas Chinese Affairs Office, Zhou Huaguang was in charge of examining and approving requests of various organizations for permission to accept donations from Overseas Chinese, foreigners, and Hong Kong and Macao compatriots. In November 1984, Zhou Huaguang helped two smugglers disguise two smuggled cars as donations and bring them into China. After the smugglers sold the cars, they gave Zhou 1,800 yuan as a reward. With the power to examine and approve such requests delegated to him by the autonomous regional people's government and the regional Overseas Chinese Affairs Office, he approved more than 100 cases of smugglers' fake car donations and accepted bribes, both in cash and kind, totalling 138,444 yuan from May to September 1985. Of 177 "donated" cars handled by Zhou Huaguang, 160 have been shipped to China, evading import duties totalling 6,723,600 yuan. In addition, he joined his son Zhou Yi and other smugglers in smuggling 3 other cars, worth 255,000 yuan, thus evading import duties totalling 129,000 yuan, and reaping a profit of 31,000 yuan.

The Nanning City procuratorial organ confirmed during an investigation of Zhou Huaguang's crimes of demanding and accepting bribes and smuggling cars. It initiated a public prosecution with the Nanning City Intermediate People's Court on 10 December 1986.

After court investigation and debate, the Nanning City Intermediate People's Court sentenced Zhou Huaguang to death and deprived him of political rights for life according to law. Zhou Yi, who actively took part in committing crimes was sentenced to life imprisonment according to law. Zhou Huaguang did not agree with the decision and appealed. The Guangxi Zhuang Autonomous Regional Higher People's Court rejected his appeal and confirmed the original judgment. Finally, the Supreme People's Court approved the death sentence and ordered its execution.

### Southwest Region

#### Sichuan Meeting Sets Agricultural Tasks

HK1908021188 Chengdu Sichuan Provincial Service  
in Mandarin 2200 GMT 18 Aug 88

[Text] A provincial conference of prefectural and city agricultural bureau directors concluded on 18 August. The meeting pointed out that Sichuan's current agricultural situation is relatively good, and the rural economy is developing steadily. Due to frequent natural disasters, output of the spring-harvested grain and oil crops dropped, but the area of spring-sown crops was increased somewhat. Output value of the township and village enterprises in the 1st half of the year rose by 34.7 percent over the same period last year. The momentum in animal husbandry, especially pig-raising, is very good. The number of pigs marketed rose by 17.5 percent, while those in stock increased by 6.5 percent. Diversification and peasant courtyard economy have developed relatively fast.

However, there have been frequent natural disasters this year, and the province's grain production situation is rigorous. The task of fighting natural disasters to win a bumper harvest is arduous.

The provincial party committee and government are attaching extremely great importance to these problems. The meeting, held in Chengdu from 15 to 18 August, analyzed the situation in agricultural production, looked into measures for stepping up the final-stage tending of the spring-sown crops and promoting late autumn production, and made arrangements for agricultural work and the spring harvest next year.

Zhang Zhongwei, director of the provincial Agricultural Department, said that due to the fact that the spring harvest was reduced and many natural disasters have hit the spring-sown crops, the task of achieving increased agricultural output and income over the whole year is extremely arduous. It is urgent to step up the tending of the sweet potatoes and get a good grasp of late autumn production.

He stressed that getting a good grasp of grain production is the requirement of maintaining overall stability, and there cannot be the slightest slackening. The idea that agriculture is the foundation can only be strengthened and cannot be weakened.

The meeting initially decided on the main tasks in agricultural production next year and demanded that the following points in the guiding idea should be clearly understood:

1. Seriously implement the long-term strategic principle of regarding agriculture as the foundation of the national economy.
2. Resolutely follow the path of promoting developmental agriculture.
3. Ensure the grain area and develop industrial crops in a planned way.
4. Firmly establish the idea of fighting great and frequent natural disasters.
5. Step up agricultural capital construction to improve the conditions for agricultural production.

Responsible persons of the provincial party committee, Advisory Commission, People's Congress Standing Committee, government, and CPPCC took part in the meeting.

## North Region

### Hebei Holds Chemical Industry Symposium SK1808080488 Shijiazhuang HEBEI RIBAO in Chinese 3 Aug 88 p 1

[Text] On 31 July, at a symposium on accelerating development of the chemical industry held by the provincial government, Vice Governor Ye Liansong introduced the current situation, favorable conditions, and existing problems of the province's chemical industry; stated the plans and programs for accelerating development of the province's chemical industry; and put forth the idea of applying the existing foundation and favorable conditions toward accelerating development of the chemical industry.

This symposium is primarily devoted to studying and discussing the plans and programs for developing the petrochemical, salt chemical, coking chemical, salt, and the chemical fiber industries of the province; and to consulting on matters that pertain to cooperating with departments concerned to build a number of important construction projects so as to effect rapid progress in the province's basic chemical industry in a relatively short period of time.

Vice Governor Song Shuhua presided over the symposium. At the symposium, responsible comrades of the provincial Petrochemical Industrial Department and the provincial Textile Industrial Company introduced programs for developing the petrochemical and chemical fiber industries of the province. Attending the symposium were responsible comrades and specialists of pertinent ministries, commissions, and companies of the state; responsible persons of pertinent departments directly under the provincial government; and responsible persons of prefectures, cities, and enterprises of the province.

At present, the province has 392 petrochemical industrial enterprises at or above the county level, and has 10-odd chemical industrial trades, including the chemical fertilizer trade, the inorganic salt trade, the organic chemical industrial trade, and the rubber processing trade. The province's annual output of chemical fertilizer ranks third in the country; that of agricultural chemical ranks seventh; that of coke ranks fifth; and that of crude salt ranks first. In 1987, the chemical industrial enterprises in the province fulfilled 2.714 billion yuan in total industrial output value, accounting for 5.8 percent of the total output value of the province's total industrial enterprises at or above the township level. The profits and taxes realized by the province's budgetary chemical industrial enterprises owned by all the people account for 14.8 percent of the total volume of the profits and taxes realized by the province's budgetary industrial enterprises.

In his speech, Ye Liansong said: In accelerating the development of the province's basic chemical industry, our province has not only a certain foundation, but also many advantages and tremendous potential.

1. The province has plentiful natural resources available for utilization. The Huabei Oilfield in the province ranked fifth in the country in 1987 in output of crude oil. In addition, the Dagang Oilfield and the Jidong Oilfield, which were developed recently, have provided extremely favorable conditions for the province for further development of the petrochemical industry. Our province has a long history in developing salt production. Along the 487 km-long coastal line, the section from Daqing He to Zhangweixin He is of soil and sandy beaches, which is specially suitable for building salt pans. At present, 1.1 million mu of sea beaches and barren areas, which are good areas for expanding salt production and developing the salt chemical industry by using crude salt, have not yet been developed. The province ranks fourth in the country in the output of raw coal, and ranks first in its output of coking coal. Therefore, the province has an excellent material basis for developing coking products.

2. The province has relatively good transportation facilities. The province ranks second in the country in the mileage of state truck railway lines, ranks second in the mileage of local railway lines, and ranks eighth in the mileage of highways. The Qinhuangdao Harbor ranks second in the country in annual handling capacity.

3. The province has a broad market of raw materials for the chemical industry. Viewing the province's practical situation, in 1987 the output of soda ash was less than 10 percent of the province's actual consumption volume. Including caustic soda transferred from other provinces, the output of caustic soda still fell short of the actual consumption volume by a third. Only a quarter of the plastic processing capacity was satisfied. The contradictions between supply and demand of chemical fiber materials, benzene, naphthalene, and other coking products were very conspicuous.

Referring to the current major problems in the province's chemical industry, Ye Liansong said: The first problem is the unreasonable production structure and the single product mix. Negligence over coordinated development of the basic chemical industry has led to the excessively large proportion of the chemical fertilizer industry. Of the 108 varieties of major chemical industrial raw materials that are urgently needed by the province, only 60 can be produced by the province. In particular, the gaps between supply and demand of raw materials for the organic chemical industry, with the petrochemical industry and the coking chemical industry as the basis, and synthetic fibers are wider still. The other problem is the failure in fully utilizing natural resources, the excessive raw and semifinished products, and the scarce deep processed products. In addition, there are many small enterprises that are backward in technology and equipment and poor in the efficiency of scale.

Ye Liansong also introduced the overall idea of the provincial government in developing the province's chemical industry. This idea is: On the existing basis, we should renovate chemical fertilizer enterprises; comprehensively develop the chemical industry; take the road of comprehensive utilization and increasing value through deep processing; give prominence to the two focal points of the agricultural-aiding chemical industrial products and the basic chemical industrial raw materials; and vigorously develop the petrochemical industry, the salt chemical industry, the coal chemical industry, and other fine chemical industrial products to ensure that the province will fulfill the task of quadrupling the province's chemical industrial output value 3 years ahead of schedule.

At this symposium, participants will appraise and discuss the "Hebei Provincial Programs for Developing the Petrochemical Industry," the "Hebei Provincial Programs for Developing the Chemical Fiber Industry," the "Hebei Provincial Plans for Developing the Salt Industry," the "Hebei Provincial Plans for Developing the Salt Chemical Industry, the "Current Situation on Hebei Province's Processing of the Coking Chemical Products and the Province's Development Programs," and 28 items of capital construction and technological transformations. This symposium will listen to the opinions and suggestions from various fields with a view toward accelerating the development of the province's chemical industry.

**Inner Mongolia Chairman on Labor, Wage Reforms**  
SK1908003888 Hohhot Inner Mongolia Regional  
Service in Mandarin 1030 GMT 17 Aug 88

[Text] At today's regional labor and personnel work conference, Comrade Bu He pointed out that as reform has entered the crucial stage, party committees and governments at various levels should strengthen leadership over reforms of labor, wage, and personnel systems, solve well major and difficult problems, and push the reforms forward.

Bu He said: Reforms of price, wage, and labor systems are very difficult mainly because of the people's limited capacity to stand strains. The key to whether the capacity is large or small lies in the economic returns of enterprises. Only when enterprises improve their economic returns, and the state increases its financial capacity can there be a solid foundation for the reforms of price, wage, and labor systems.

He said: To improve the economic returns of enterprises, we should reform the wage system, and give full play to the role of wages as an economic lever. At present, in reforming the wage system, we should mainly popularize the method of linking the total payroll to economic returns at enterprises. Practice has proven that this is an

effective method to rationalize the relations between the state and the enterprise in terms of distribution, and improve the economic returns of enterprises.

Bu He urged: Leading comrades at various levels should strengthen leadership over this work. Departments in charge of enterprises and finance departments should work in close coordination to make basically all the state enterprises throughout the region apply the method of linking the total payroll to the economic returns by the year 1990.

Bu He said: To improve the economic returns of enterprises, we should also reform the labor system. At present a conspicuous problem affecting the economic returns of enterprises is the large number of surplus personnel and a low standard of productivity. Therefore, we should resolutely remove surplus personnel from their posts. For the time being, those should be arranged properly by mainly enterprises themselves. The method of letting the surplus personnel stay at enterprises to wait for job arrangements may also be adopted.

Bu He said: The focus of the reform of the enterprise labor system is to invigorate the permanent worker system. Leagues and cities should quicken the pace of this work, and strive to make more than 80 percent of state enterprises complete the reform of the labor system related to permanent workers in 3 years.

Bu He said: Connected with the reform of the labor system is the issue of employment. To solve employment problems, first of all we should update our ideas and break with the ideas of relying on governments, and unified and guaranteed job distribution. Second, we should reform the current job arrangement methods and broaden the avenue for employment. We should adopt effective measures to encourage jobless people to work at collective or private enterprises, or to find jobs by themselves.

Bu He said: In the process to eliminate barriers to reform and establish a new order for the socialist commodity economy, reforms of the labor and personnel systems occupy a very important position.

He urged comrades on the labor and personnel front to stand at the fore of reform, serve well as advisers to party committees and governments, and make contributions to deepening reform and attaining the three short-range fighting goals of the autonomous region.

### Northeast Region

**Former Heilongjiang CPC Leader Dies**  
OW1908042688 Beijing XINHUA Domestic  
Service in Chinese 0743 GMT 18 Aug 88

[Excerpt] Harbin, 18 Aug (XINHUA)—Comrade Wang Yilun, former secretary of the Heilongjiang Provincial CPC Committee and former chairman of the Heilongjiang Provincial CPPCC Committee, died of illness in

Harbin on 11 August at the age of 76. A ceremony to pay last respects to Comrade Wang Yilun's remains was held in Harbin City today. [passage omitted]

### **Jilin People's Congress Makes Appointments**

SK1908080988 Changchun JILIN RIBAO  
in Chinese 22 Jul 88 p 1

[Personnel appointments approved at the Fourth Standing Committee Meeting of the Seventh Jilin Provincial People's Congress on 21 July]

[Excerpt] 1. Appointment of Gao Yan as director of the Jilin Provincial Commission for Economic Restructuring (concurrent).

2. Appointment of Lu Yanping [7627 1750 1627] as chief judge and Xu Cai [6079 2088] and Cai Xiaoxun [5591 2556 8113] as deputy chief judges of the Lawsuit and Appeal Tribunal of the Jilin Provincial Higher People's Court; and Yang Shishan [2799 0013 1472] and Li Xiangxin [2621 0686 2450] as deputy chief judges of the Administrative Trial Tribunal of the provincial Higher People's Court.

3. Appointment of Lian Xuebo [1670 7185 3134] and Nie Xiaosheng [5119 2556 3932] as procurators of the Jilin Provincial People's Procuratorate. [passage omitted]

### **Jilin's He Meets Delegates to Woman's Congress**

SK1908012488 Changchun Jilin Provincial Service  
in Mandarin 0930 GMT 18 Aug 88

[Text] From 16 to 17 August, the provincial delegates to the Sixth National Woman's Congress to be held in Beijing on 1 September met in Changchun. A total of 22 regular delegates, 1 invited delegate, and 1 nonvoting delegate will attend the National Woman's Congress.

The provincial Woman's Federation called the delegates together to discuss the three important documents, including the report, the draft regulations, and the electoral law of the All-China Woman's Federation.

Leading comrades of the provincial party committee, the provincial government, the provincial People's Congress, and the provincial CPPCC Committee, including He Zhukang, Wang Zhongyu, Huo Mingguang, and other comrades, received the delegates.

The Jilin woman's delegation to Beijing has been formed. Wang Zhenying, [words indistinct] of the All-China Woman's Federation and chairman of the provincial Woman's Federation, will lead the delegation; and (Xu Shoujie), vice chairman of the provincial Woman's Federation, will be secretary general of the delegation.

The 24-member delegation will leave for Beijing on 22 August.

## **Northwest Region**

### **Gansu Governor Stresses Propaganda Work**

HK1908043988 Lanzhou Gansu Provincial Service  
in Mandarin 2300 GMT 18 Aug 88

[Text] Yesterday [18 August] morning, at a provincial conference on propaganda work, Governor Jia Zhijie said: Reform has now entered a critical stage and Gansu's economic development has also entered a crucial stage. Whether or not Gansu can improve, take a turn for the better, and keep abreast of the situation of the whole country will be determined by these few years' work, which also includes propaganda and ideological work. In the past few years, our province underwent a big change. Last year, our province's aggregate social output value amounted to 30.3 billion yuan. Over the past 5 years, its aggregate social output value has increased by an average of 13.5 percent each year and has been higher than the national level. Its gross agricultural output value has increased by an average of 8.8 percent each year, its output of fruits 120 percent, its output of flowers 340 percent, and its output of vegetables 86 percent. Township and town enterprises have scored even greater achievements and their output value has quadrupled over the past 4 years. All these achievements cannot be separated from the propaganda and ideological work.

Jia Zhijie pointed out: Reform is the greatest social construction and [words indistinct]. Two different kinds of concepts, ideologies, structures, and methods of work coexist in the course of reform. Our present situation is that difficulties and hopes coexist and challenge and [words indistinct] also coexist. At this special moment, propaganda and public opinion appear to be especially important. Without correct propaganda and public opinion, we can very hardly have unified thinking, unified will, and unified actions.

He stressed: In the past few years, the comrades throughout our province who had engaged in the propaganda, ideological, and political work did a great deal of work in coordination with reform. Without these comrades' hard work, such achievements could not be scored. They should be commended. Governments at all levels must include the propaganda work on their agenda. They must be more concerned with, must cherish and help more enthusiastically the comrades who engage in propaganda work, and must create a good working environment. In the course of reform, the comrades who engage in the propaganda work must act as good propagandists and go ahead of the others.

### **Shaanxi Governor on Readjusting Rural Production**

HK1908014788 Xian Shaanxi Provincial Service  
in Mandarin 2330 GMT 18 Aug 88

[Excerpt] Governor Hou Zongbin has pointed out during investigation and study in Baoji that it is imperative to readjust the rural production structure. During his stay,

he held discussions with comrades of the prefecture and the counties on the path and goals of the second stage of rural reforms, on the guiding ideas for deepening rural reforms, and on coordinating policies.

On 10 August, Governor Hou Zongbin and leaders of the provincial Structural Reform Commission, Economic Commission, and other departments arrived in Baoji City for investigation and study of five counties and districts. They visited more than 20 township and village enterprises and rural households.

During their investigation, they found that since the land contract system was instituted, the peasants have got rich through hard work and their living standards are gradually entering the comfortably well-off stage. The township and village enterprises enjoy good projects. However, the rural areas as a whole have not yet completely broken away from the pattern of focusing on grain production, and over 90 percent of the labor force is still working on the land. The wings for rural economic take-off are heavy. The peasants everywhere report that grain prices are low and production materials prices high. They do not yet have sufficient endurance of the reforms. And the rural areas are still unable to get going in developing commodity economy; people are bound hand and foot and there is a lack of initiative and breakthrough-style progress.

Hou Zongbin pointed out that for the rural economy to climb to a new level, it is imperative to readjust the current production structure and emancipate the labor force from purely agricultural labor. In view of the current situation in the rural areas and the development requirements there, Governor Hou Zongbin proposed that the short-term readjustment goals should be: Over 50 percent of the rural labor force should be switched to other trades; output value of diversified undertakings should account for about 70 percent of agricultural output value; output value of the township and village industries should account for 50 percent of rural industrial output value; and average rural incomes should rise by an average of 50 yuan a year.

Hou Zongbin proposed that the guiding idea for readjusting the production structure should be: Increase grain yields, boost investment in agriculture, run township and village enterprises in a big way, promote in-depth processing, and enliven the service setup focusing on science and technology services. [passage omitted]

**Xinjiang Trades With USSR, Arabs, Europe**  
*OW1908042488 Beijing XINHUA Domestic*  
*Service in Chinese 0035 GMT 18 Aug 88*

[By reporter Lan Xueyi]

[Text] Urumqi, 18 Aug (XINHUA)—While expanding its economic relations and trade eastward, the Xinjiang Uygur Autonomous Region is also making efforts to open markets to the west. It has made a good start and gradually entered markets in the Soviet Union, West Asia, East Europe, West Europe, and the Arab nations. It has created a situation of systematically "expanding trade eastwards and westwards and opening in both directions."

In recent years, Xinjiang has been trading with the Soviet Union in accordance with the PRC-USSR trade agreement. In addition, it has also started trade with five Soviet socialist republics in USSR's Central Asian region and three Soviet border regions and oblasts. Not long ago, Xinjiang held a successful border trade commodity fair in USSR's Tashkent City. Its trade with the Soviet Union this year is expected to exceed 100 million Swiss francs, a 400 percent increase over last year.

Xinjiang's border trade with Pakistan also increased sharply. Since Xinjiang opened its Hongqilafu Port to Pakistan and a third country in 1986, several thousand Pakistani and Arab businessmen and tourists have visited Kashi and Urumqi every year.

Xinjiang has set up foreign trade commodity showcases in the United Arab Emirates and exported, by air, live sheep and fresh fruit and vegetables to the Middle East on a trial basis.

It has opened three land ports and Urumqi Airport to foreign countries. An Urumqi-Alma Ata air-link will be inaugurated soon. The North Xinjiang Railroad, of which the construction is being stepped up, is expected to become operational next year. The railroad, the second largest land bridge between Asia and Europe, will enter the Soviet Union through Xinjiang's Alashan Pass and lead to various ports on the Black Sea, the Baltic, and the Atlantic coasts. A highway, which can accommodate heavy trucks, between Kashi and Pakistan's Islamabad will be open to traffic soon.

**Government Modifies Cultural Exchange Policy**

OW1908042288 Beijing XINHUA Domestic  
Service in Chinese 1621 GMT 18 Aug 88

[Text] Hong Kong, 18 Aug (XINHUA)—News from Taipei: The cultural policy toward the mainland to be adopted by the Taiwan authorities is to take more active and positive steps. But, this will be done through a gradual opening process, said Dai Ruiming [Tai Ruiming], director general of the Department of Cultural Affairs of the Kuomintang Central Committee, in an interview with MINSHENG BAO [MIN SHENG PAO].

A 2-day "Current Mainland Policy Planning Symposium" opened today under the sponsorship of the Taiwan authorities. As disclosed by Dai Ruiming in the interview prior to the symposium, activities expected to be permitted will include the following: Senior journalists may form visiting groups to cover news on the mainland. Radio and television program producers may go to the mainland to record its current political, economic, and social situations. Moviemakers will be permitted to film exteriors on the mainland. Movies, audiotapes, and books may be sent to the mainland on consignment through a third country.

Dai Ruiming said: Since the government started allowing travel to the mainland to visit relatives, 200,000 Taiwan people have been to the mainland. They have brought back information from their native places, particularly publications and videotapes published on the mainland, creating a "mainland craze." In view of this, the ruling party deems it necessary to change its work style. Though we have expressly established the principles of "one way" and "no interchange," we must take more active and positive steps so that we will not fall into an inferior position.

Dai Ruiming said that the present mainland policy pursued by the Taiwan authorities is "strictness with people but leniency with things, and leniency in dealing with people visiting the mainland but strictness in dealing with those coming from the mainland." He hoped that encouragement would be given to have Taiwan's books, pictures, music, films, and television programs

appear on the mainland, and that radio broadcasts and television programs on Taiwan would report the mainland's current political, economic, and social situations in a systematic and planned way. "Looking at the question superficially and judging things out of context are apt to produce negative effects," he said.

**Beijing Sets Up Taiwan Studies Society**

OW1608211088 Beijing XINHUA in English  
1417 GMT 16 Aug 88

[Text] Beijing, August 16 (XINHUA)—A non-governmental national Taiwan studies society was founded today to promote wide-scale research on Taiwan and encourage academic exchanges between the mainland and the island.

Huan Xiang, secretary-general of China's Institute of International Affairs, was elected the society's director.

At today's ceremony, Zhao Fusan, the society's deputy director and vice-president of the Chinese Academy of Social Sciences, said, "People on the mainland and Taiwan do not understand each other because they have been isolated from each other for a long time."

Many local institutes of Taiwan studies have been established on the mainland to do research on Taiwan's economy, politics, society, culture, education, and arts. Zhao said, so a national organization is needed to promote and coordinate all local research and activities.

"This new society will study developments on Taiwan scientifically and without prejudice," Zhao said, adding academic discussions should be based on the principle "let a hundred flowers blossom and a hundred schools of thought contend."

Yan Mingfu, member of the Communist Party Central Committee's Secretariat, sent a cable encouraging the society to be involved in a wide range of academic activities, to develop cooperation with researchers of Taiwan studies both at home and abroad, and to carry out detailed and systematic research on Taiwan.

**Executive Yuan Forms Mainland Task Force**  
*OW1808173488 Taipei CNA in English 1539 GMT*  
18 Aug 88

[Text] Taipei, Aug. 18 (CNA)—The Executive Yuan Thursday [18 Aug] formed a high-ranking task force on mainland affairs which will be responsible for implementing the government's mainland policy and coordinating the work of various government agencies in handling Chinese mainland affairs.

Vice Premier Shih Chi-yang, task force convenor, said that the newly established body would meet at least once each month to discuss issues concerning the government's mainland policy and situation between the two sides of the Taiwan Strait. The task force will cooperate closely with a corresponding organization to be set up soon by the ruling Kuomintang in order to thoroughly implement the new mainland policy outlined by the ruling party at its 13th national congress last July, Shih said.

Decisions and proposals made by the task force will be subject to the approval of the premier before they can be sent to the appropriate government agencies for implementation, the vice premier added.

According to Shih, the Mainland Affairs Task Force has 17 to 19 members. Aside from the vice premier, other members will include the eight ministers with portfolios; the governor of the Central Bank of China; the secretary-general of the Executive Yuan; the heads of the National Security Bureau, the Research, Development and Evaluation Commission, and the Government Information Office, and an additional three to five persons appointed by the premier.

The task force held its first meeting immediately after its formation. At the meeting presided over by Vice Premier Shih, the task force approved in principle a Foreign Ministry proposal that the government allow a private delegation to attend the 22nd annual meeting of the International Council of Scientific Unions to be held in Beijing next month in the name of a "civic organization."

The task force also decided that the decision to permit a private delegation to attend the ICSU meeting, the first time a ROC [Republic of China] group has attended an international activity on the Chinese mainland, should be submitted to Premier Yu Kuo-hua for final approval.

The government's established policy of "no contacts, no negotiations, no compromises" with the Chinese Communists will remain unchanged despite the decision to participate in the ICSU meeting, Shih stressed. Moreover, the task force decided to continue banning government employees from visiting the mainland although the government has allowed local residents to visit relatives on the mainland since late last year.

Many members of the Legislative Yuan, upon learning the development, voiced approval of the task force's decision to allow local scientists to participate in the ICSU meeting, saying that this signified that the government was taking a more open-minded and realistic attitude towards the mainland. But, the legislators were divided on whether the government should go further in this direction.

Some of the legislators said that the government should continue to be cautious in deciding to participate in international activities on the mainland. Others, however, urged the government to be more flexible on such cases so that the ROC can increase its presence in international academic, athletic and cultural activities, including those held on the mainland. This will promote the nation's international prestige and status, they claimed.

**Government Urged To Study Mainland Policy**  
*OW1908045288 Taipei CNA in English 0307 GMT*  
19 Aug 88

[Text] Taipei, Aug. 19 (CNA)—Participants in a Kuomintang [KMT]-sponsored mainland policy seminar Thursday [18 Aug] reached a consensus that the Republic of China Government should consider sending delegates to the Chinese mainland on a case-by-case basis, when future sports, literary, and other academic activities are held there under the auspices of international organizations. Many participants also urged that the current mainland policy be further developed under the "gradual, private, indirect, and secure" guidelines.

Representatives attending the seminar are from the Education, Economics, and Justice Ministries, the Council of Cultural Planning and Development, the Government Information Office, the Chinese Taipei Olympic Committee, the Red Cross Society of China, the Kuomintang Policy Coordination Committee, the Department of Mainland Operations, and other KMT agencies.

The seminar, sponsored by the KMT Department of Mainland Operations, is being held Aug. 18-19 at the Yangming Institution for National Revolution and Development, Yangmingshan.

Addressing the meeting, Hsiao Chang-lo, director of the KMT Department of Mainland Operations, pointed out that the KMT's current mainland policy was not formulated for the sake of openness.

The current mainland policy must be forward-looking and must aim to "reunify China" and to "resolve the China problem", Hsiao said. "Only such a mainland policy will be able to make historic contributions to China."

**U.S. Talks Not To Touch on Currency Issue**  
*OW1808052088 Taipei CNA in English 0236 GMT  
18 Aug 88*

[Text] Taipei, Aug. 18 (CNA)—The issue of the exchange rate between the new Taiwan dollar and the greenback will not be on the agenda of the upcoming financial consultations between the Republic of China [ROC] and the United States scheduled for Aug. 29, a leading government official said Wednesday.

Fredrick Chien, chairman of the Council for Economic Planning and Development [CEPD], pointed out that the new Taiwan dollar has appreciated substantially over the past 2 years and the stronger ROC currency has resulted in serious impact on the nation's export trade.

The new CEPD Chief's remarks came after a ranking U.S. official expressed concern over the stabilizing trend of the new Taiwan dollar, which has slowed its appreciation against the U.S. dollar since the beginning of 1988 after a nearly 40-percent rise.

David Mulford, U.S. assistant secretary of treasury, reportedly said Monday that the American Government is worried that a stable, undervalued new Taiwan dollar would worsen the already serious trade imbalance between the two countries. The remarks were regarded here as a new sign that America would resume its pressure on the ROC to appreciate its currency further.

Chien declined to comment on the American attitude on the currency issue or reveal whether the U.S. Government has put any pressure on the nation. But he stressed that during his tenure as ROC representative in the U.S., he had continuously exchanged opinions with American officials on the issue and will continue to do so in the future.

Meanwhile, Central Bank of China Governor Chang Chi-cheng said the pressure on the new Taiwan dollar to appreciate further still exists and the pressure will likely become stronger after the nation's trade surplus with the U.S. expanded in June.

Despite the expectation of pressure on the new Taiwan [NT] dollar to appreciate, the U.S. dollar remained strong on the local foreign exchange market because of the greenback's uprising trend on major international currency markets, with the U.S. dollar once rising to NT \$28.6273.

The new Taiwan dollar's exchange rate against the U.S. dollar, however, remained unchanged at 28.62:1 at close after the Central Bank intervened in the market. Market sources said the rate is expected to continue remaining unchanged Thursday, with further Central Bank intervention expected.

**Radio Commentary on U.S. Presidential Race**  
*OW1908055688 Taipei International Service  
in English 0200 GMT 19 Aug 88*

[Station commentary: U.S. Presidential Candidates Get Set To Run]

[Text] A Quayle in the Bush is worth.... Well, that's up to the American people to decide. But now that George Bush has chosen his running mate, the two sides in the U.S. presidential election are now getting set to take off in an election run that promises a photo finish, barring political or personal catastrophe for either side.

Bush kept his choice a secret as long as he could to stir up suspense, a useful tactic, given the media craze surrounding the U.S. political conventions. His choice of Indiana Senator Dan Quayle has warmed conservative hearts across America, and may do more; Quayle is only 41 years young, and looks younger, and is a formidable face on TV. Perhaps one thing Mr. Bush had in mind was that Quayle would draw the all-important women's vote—just with good looks.

Superficialities aside, the Bush-Quayle, Dukakis-Bentsen race is now coming into focus for foreign observers. It is unmistakable that Bush-Quayle is a rather conservative ticket. Bush is considered a Republican moderate-conservative, while Quayle represents the youthful conservatism of the party. Their opponents are more of an odd couple, with the liberal Dukakis having picked the moderately conservative Bentsen so as to balance the Democratic ticket.

That understood, people in the Republic of China [ROC] on Taiwan will now be looking for answers to the important questions about the foreign policy orientations of both tickets, specially as regards U.S. China policy.

The problem as viewed from Taiwan is not simply a matter of party or ideological lines. After all, it was the conservative friend of the ROC, President Ronald Reagan, who handed Taiwan the August 17, 1982 communique with Peking in which the U.S. promised to gradually phase out arm sales to Taiwan. That was a stunning blow to Taiwan, though the rumor persists that President Reagan never really read the draft of the communique.

It was another moderate conservative, the Democrat Jimmy Carter, who served up the derecognition of the ROC in favor of ties with Communist China in 1979. And Nixon, another conservative, initiated the rapprochement with Communist China with his surprise visit to the China mainland in 1972.

So, it is clear that people on Taiwan can never expect the expected from either the Republicans or Democrats. Neither can they expect the expected from ideological groups; over the years, conservatives have dished up as much bad news as liberals have for Taiwan.

Perhaps what people want most, then, is moderation or balance. And that is what both of these tickets offer, at least on the surface. Bush is a moderate said to be close to Communist China's leaders; Quayle is an unequivocal supporter of Free China on Taiwan. Dukakis is basically liberal on foreign policy, and probably less likely to be sympathetic to Taiwan. But Bentsen has shown much sympathy toward Taiwan during his Senate tenure.

Thus, most people on Taiwan are likely to take the safe route by calling it a draw, when predicting which ticket will be best for the ROC on Taiwan, and more important best for America and the world in general. In any case, American politics will take center stage till November, capturing the attention of both friend and foe. America's friends on Taiwan wish both tickets well, and trust that Americans will make the right choice in November.

**President Li Meets With U.S. Senators**

*OW1908042088 Taipei CNA in English 1548 GMT  
18 Aug 88*

[Text] Taipei, Aug. 18 (CNA)—President Li Teng-hui Thursday received visiting U.S. Senators Ernest F. Hollings (D-S.C.) and Richard C. Shelby (D-AL) and their

wives at the Presidential Office for an exchange of opinions on the ROC's [Republic of China's] current economic foreign affairs and Mainland China policies.

President Li first welcomed the American visitors and praised them for their recent contributions to the promotion of friendly relations between the two countries. He then reaffirmed the ROC Government's determination to have no contacts, no negotiations, and no compromises with the Chinese Communists for the sake of freedom and constitutional democracy.

In turn, Hollings and Shelby expressed their admiration of the nation's rapid progress in various fields and said that they are strongly impressed by the vigor and fresh spirit in the country under the leadership of President Li.

Also present at the meeting were Shen Chang-huan, secretary general to the president, and Vice Foreign Minister John Chang.

Later in the day, Foreign Minister Lien Chan hosted a luncheon in honor of the two American Senators and their wives and aides.

The American dignitaries arrived here Wednesday night and will leave Friday afternoon.

## Hong Kong

**UN To Take Over Refugee Management**  
*HK1908012788 Hong Kong SOUTH CHINA*  
*MORNING POST in English 19 Aug 88 p 1, 2*

[By Simon Macklin]

[Text] The United Nations High Commissioner for Refugees (UNHCR) is to take over the management of Hong Kong's Vietnamese refugees following the Government's decision to scrap its closed camp policy and build vast new open quarters for them. The UN commissioner is to launch an international appeal to fund the project, it was announced yesterday.

A spokesman for the Government said a single camp would be built in Tuen Mun, into which Vietnamese from all existing camps would be moved. They will be provided with individual family units.

The existing closed camps, widely criticised as inhumane, would be shut.

The Vietnamese eligible for the new camp will be about 16,000 who reached Hong Kong before the Government introduced its new screening policy on June 16, and those who arrived after that date and were determined by the screening process to be "genuine refugees." Those among the 8,206 who have arrived since June 16 who are classified as illegal immigrants ineligible for resettlement will be held in detention centres awaiting repatriation.

The UNHCR already manages open camps for Vietnamese refugees in Thailand and Malaysia and similar operations for African refugees. Resettlement from the UN-sponsored camps has been proceeding at a much quicker rate than achieved so far by Hong Kong.

Hong Kong's success in resettlement mainly in Canada, the United States and Australia, has been falling in recent years from 37,468 in 1980 to only 1,619 so far this year. But the Government and UNHCR are optimistic that resettlement will pick up again under the new arrangement.

A nine-hectare site near Butterfly Beach in Tuen Mun had been designated for the new camp, which was expected to be ready in "about a year's time," the spokesman said. The undeveloped site is classified for "Government institutional or community use."

Refugees currently living in the following camps will be moved to Tuen Mun:

Kai Tak	(open)	2,620
Shamshuipo	(closed)	5,143
San Yick	(closed)	4,034
Tuen Mun	(closed)	3,090
Argyle St	(closed)	289
Cape Collinson	(closed)	613

When they move into Tuen Mun, they will be issued with identity papers by the Immigration Department and will be allowed to leave the camp to seek employment.

The funding of the capital cost of the camp was still being discussed with the UNHCR, which had agreed to pay for the running of the camp once it had been established, the spokesman said. And a spokesman for the UNHCR in Geneva said all major donor governments would be invited to contribute funds in order to establish the camp. The British and United States governments, which had a special interest in Hong Kong's refugee problem, were expected to play a major role in contributing to the funds.

A spokesman for the UNHCR office in Hong Kong said the move would assist the refugees to find resettlement places overseas.

"The idea is we want the camp to be built as a series of individual family units so the refugees can be as independent as possible to help make them more attractive for resettlement," the spokesman said.

"One of the problems of the closed camp policy has been that it institutionalised people.

"It is intended that in the open camp the refugees should be able to live and function as human beings.

"To the maximum extent possible we will encourage the refugees to be independent," he said.

The UNHCR has opposed the Government's closed camp policy since it was introduced as a deterrent to new arrivals in 1982.

And the UNHCR would pay the running costs of the centre but would appoint a local agency to manage the centre, the spokesman said.

The director of the Oxfam Relief Agency, Mr Chris Bale, said yesterday he welcomed the decision.

"This decision must make good sense for Hong Kong and good sense for the refugees," Mr Bale said. But the UNHCR should learn the lessons of the failure of the closed camps in helping to assist refugees to find resettlement places, he said. Education and social work programs in the camp should be carefully planned to help the refugees adapt to their new environment, Mr Bale said.

Security Branch officials yesterday briefed the Legislative Council ad hoc group on refugees on the proposal. The acting convener of the ad hoc group, Mr Yeung Po-kwan, said the councillors had welcomed the decision.

The liberalisation of the closed camp policy along with the introduction of the screening policy had been one of the proposals put to the Government by the ad hoc group earlier this year.

"We welcome this decision because the UNHCR is going to run the camp and is going to contribute to the capital cost and to the cost of running the camp," he said. And Mr Yeung said the councillors also welcomed the Government's decision to allow the refugees to move to open camps and find work in Hong Kong.

The director-general of the Federation of Hong Kong Industries, Mr Lawrence Mills, welcomed the decision to allow the refugees to look for work in Hong Kong. This had been one of the suggestions the federation had put to the Government in order to help alleviate the labour shortage, he said. The current labour shortage was so great industrialists might be prepared to lay on transport to the refugee camp in order to bus workers to industrial centre, Mr Mills said.

"I think we can safely say we warmly welcome this decision which will help to alleviate what has become a chronic labour shortage," he said.

About 2,620 of the refugees who have been in Hong Kong since before the introduction of the closed camp policy in 1982 are living in UNHCR Kai Tak open centre. But this camp will have to be demolished later this year to make way for the Tate's Cairn Tunnel development and it is intended these "long stayers" will be moved into the new open camp together with the other refugees from the closed centres.

**June Trade Surplus With U.S. Up 21.5 Percent**  
*OW1708152188 Beijing XINHUA in English*  
0957 GMT 17 Aug 88

[Text] Hong Kong, August 17 (XINHUA)—The United States trade deficit with Hong Kong grew by 21.5 percent to 446 million U.S. dollars in June this year, according to statistics announced last night.

The total U.S. trade deficit was 12.54 billion U.S. dollars, up from the 9.76 billion U.S. dollars in May. The gap widened with almost all the major trade partners in Asia except South Korea, statistics show.

Reaction in Hong Kong towards the worse-than-expected deficit figures was negative, but analysts cautioned one should not read into one month's figures too seriously, a local newspaper said.

Deputy Director of Trade was quoted as saying that the 446 million U.S. dollars deficit was not a record. It was larger than the May deficit but lower than that of November, January and February.

**No Decision Made Concerning Importing Labor**  
*OW1808190088 Beijing XINHUA in English*  
0812 GMT 18 Aug 88

[Text] Hong Kong, August 18 (XINHUA)—The acting governor of Hong Kong, David Ford, said yesterday that no decision had yet been taken on whether to import labor into Hong Kong to help alleviate a labor shortage.

He was speaking in response to reports that next month the Executive Council will approve the import of labor for the building industry on the recommendation of a government steering group.

Ford said the labor shortage problem was having an adverse effect on the government's public works program and inflation. But the issue was a complicated one. "The ways to deal with it also carry with them great risks—risks in terms of the problem of the labor union reactions locally, the problem of wage rates, and the problem associated with immigration of people coming in here," he said.

Yesterday, a labor union protested against the government's recent approval for a building contractor to import South Korean workers for the Tate's Cairn Tunnel project.

**END OF**

**FICHE**

**DATE FILMED**

22 Aug 88

